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# STRATEGY FOR LIBERALS

*THE POLITICS OF THE MIXED ECONOMY*

BY IRWIN ROSS

HARPER & BROTHERS NEW YORK



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L. R.

FEBRUARY, 1949.



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## CHAPTER ONE

### INTRODUCTION

**W**ITH the Democratic victory in the 1948 elections, American liberalism returned to power. It had been in eclipse (even though nominally in office) for nearly a decade—its decline began with the outbreak of war in 1939 and reached its low point with the Republican sweep of 1946. Now, suddenly, exile was over, the conservatives were routed, and a new crew of liberal militants catapulted into office.

On the morrow of victory, the liberals were in a state of jubilation all the giddier for being completely unexpected. And the conservatives, at least temporarily, suffered a demoralization that bore a marked resemblance to their calamitous condition following the 1932 elections.

The Democratic victory could hardly have been more decisive—or more paradoxical. For the liberals had no notion of their own strength. Like the conservatives, they underestimated the continuing vitality of the New Deal appeal. The scope of the victory—in both the national Congress and the state capitols—staggered even the most inordinately optimistic. Moreover, the new Congressional delegations from all sections but the South had a low proportion of party hacks, a high percentage of aggressive liberals. Precisely because of the expected defeat, the machine bosses in many localities let the nominations go to militant left-wingers. A whole new generation of New Dealers was thus raised to prominence.

An equally significant result of the election was the magnified

prestige of the labor and liberal political action groups. In 1946, labor failed to get out its vote, and the commentators were quick to write off the unions' political significance. Two years later, the labor movement not only attracted its own members to the polls, but in certain areas, where the Democratic machine fell into disrepair, it virtually took over the entire campaign. The Democratic National Chairman credited labor with the largest responsibility for the victory. Others began to talk of the Democratic Party as if it were already America's new Labor Party. However unrealistic this appraisal, it was clear that for the first time labor had the status and the organizational resources which could eventually transform the Democratic Party into a thoroughgoing liberal instrument.

In a major sense, the election altered the relationship of political forces in America. Organized liberalism emerged with a strength, a mandate, and an opportunity unmatched since 1932. The nation had unmistakably swung to the left. But is the left equal to the tasks suddenly imposed on it? Has it a program commensurate with its responsibilities? Has it the will and the power to realize the promises implicit in its rhetoric—can it end the threat of depression, eliminate poverty, build a society as democratic in its economic relations as in its political forms? Can the Fair Deal succeed where the New Deal failed?

That is the great unanswered question confronting American liberals.

At the time of writing, it is clear that the Truman administration has the legislative strength, the *expertise* to discharge many of the specific commitments it undertook at the polls. More housing, new labor legislation, a rise in the legal minimum wage, federal grants for health and education, continuance of the agricultural price support program, some civil rights legislation are items that, on the whole, are within its competence—no matter what their particular Congressional fate may be. But these are all

limited, short-range objectives, however urgent their need or wide-ranging their effect.

It is in the area of long-range goals—the free and abundant and depressionless society—that future liberal performance is a good deal more uncertain. Long-range goals engage the attention of the speech-writers, but hardly engross the politicians or the labor chieftains. They are wedded to the immediate and the practical; they normally disdain more vaulting designs.

The lack of long-term program and strategy is also understandable, of course, in light of the election upset. Until November 3, that broad and amorphous coalition called "the liberal movement"—the left wing of the Democratic Party, the union political action groups, the independents like Americans for Democratic Action—was resigned to a long night of conservatism settling over the country. The liberals expected an official exile lasting at least four and possibly eight years. They had not yet begun to plan for a return to power. Thus, when power was suddenly thrust on them, it was perhaps only natural that they lacked full plans for its exercise.

This deficiency must now be made up. If it is not, liberalism ultimately risks defaulting on the vast commitments which it so blithely and unexpectedly assumed. It risks electoral defeat as overwhelming as its latest triumph. It risks dissipating all its newfound strength, resources, and élan. It risks an eventual conservative reaction that may go far beyond Mr. Dewey's temperate course.

Thus, liberals can no longer delay addressing themselves to a sober appraisal of their present position and future plans; they again confront the question, "Where do we go from here?" Once more the fundamental issues must be explored: What are the major problems confronting the nation; how may they best be overcome; what political instruments, what political strategies will have to be fashioned to thwart that conservative opposition which

at every stage of our history has sought to inhibit necessary social change?

Liberals, in short, must again determine where they want to go—and how they plan to get there.

It is to the consideration of these issues that this volume is addressed. We are concerned here, however, solely with domestic program and strategy; the home-front issues, after all, have been those which in every era, have determined the effectiveness of the liberal appeal. This is not to deny the urgency of our foreign commitments; nor to overlook the fact that if war breaks out, or if we remain indefinitely suspended on the brink of war, liberal advance becomes impossible, but rather to recognize that in analyzing liberalism's future direction, a division of effort is appropriate. The outlines of a liberal foreign policy would make another book—and many good ones have already appeared.

It is our thesis, first of all, that an ailing and unstable economy is our most pressing domestic concern; that, secondly, the concept of the Mixed Economy provides the most effective solution to our economic disorders; but that, finally—and most important—the problem confronting liberals is less a matter of economic methods than political means. For the economic instruments, the elaborate therapies of the Mixed Economy have been brought to a high level of refinement. The major job is a political one: how to effect them; how to create a liberal movement equal to its tasks.

The nature of our economic problems is all too clear. Not since the exuberant years of an expanding frontier has American capitalism realized the human satisfactions originally expected of it. We are continually prey to depression. In good times, as in bad, the nation suffers endless plundering at the hands of the monopolies. And there has never been an era in modern times when the standard tag "poverty amidst abundance" did not accurately characterize wide stretches of urban and rural America.

Our economic distress has long been the central problem engag-

ing the attention of American liberals. This was as true in the years of the Greenback agitation, in the heady and flamboyant era of Populist militance, in the days of Theodore Roosevelt's thundering (verbal) assaults on the trusts, as during the agonizing visitation of Hoover and the inspiriting crusade of the second Roosevelt. The primacy of our economic ailments holds as true for today. While we enjoy the bizarre giddiness of inflation, all of us—the laboring man, the farmer, the white-collar worker, the businessman—hedge against the threat of depression. We are prey to a fear and a certainty that are as abiding as they are widespread.

\* Although the problem of economic instability is of decisive importance, one cannot overlook the wide range of domestic concerns properly a part of any liberal program: a statesmanlike labor policy; uninhibited civil rights legislation to endow the premises of American democracy with a reality which they have never possessed for millions of citizens; extension of social security legislation; federal backing for health and housing and educational programs; and any number of other estimable measures.

The success of these undertakings, however, depends in the long run on the basic soundness, sobriety, and health of the economy. In a society continually wracked by depression, ravaged by monopolies, and sundered by great extremities of wealth and poverty, labor peace—despite the wisest legislation—becomes impossible; tolerance of minority rights cannot be insured by law; and a continually ascending level of social security becomes a vain aspiration. Thus, in the long run, the only way to further the piecemeal, meliorative measures of the type inaugurated under the New Deal is by overcoming the fundamental problems of economic instability and economic injustice. This is liberalism's next great task.

We must not only overcome our economic maladies; we must do so in a fashion that furthers political democracy. The goal must be economic stability in a setting of expanding freedom—the full

dinner pail and free speech, not one at the expense of the other.

In recent years, the concept of the Mixed Economy has been advanced as a new answer to this old need. The Mixed Economy may be most simply defined as a blend of capitalist, socialist, and cooperative elements, with the government acting as prime mover. There would thus be three coexistent economies: a publicly owned sector; a cooperative sector; and a free capitalist sector—with the government supervising and coordinating the whole mechanism through the exercise of its spending and taxing powers.

The Mixed Economy would promote planning, abolish depression and unemployment—without threatening anybody's freedom. It would allow us to raise our economic sights without debasing our political morality. It would give the government enough power to mastermind the economy but not enough to mastermind the lives of its citizens. The Mixed Economy, in short, would combine the traditional virtues of both socialism and capitalism. It would achieve this feat by introducing into the economic realm the same principle that has long infused our political life: divided authority, a multiplicity of power blocs, and checks and balances.

Two decades ago, countless people who now flock to the Mixed Economy would have embraced socialism. With the government owning virtually all business and industry, the economy would be planned from top to bottom. By administrative fiat, supply and demand would be equated in such a fashion that the country's industrial plant would operate at full capacity.

Today the bloom is off complete, topside, all-out planning. The current disillusion has many causes, of which the most important has been the Russian experience. We have learned from the Soviets that where the government runs everything, no man is free—for the government can deny any man a job at any time. Complete state ownership, while not the sole cause of the loss of freedom in Russia, contributed mightily to the drive towards tyranny.

We have learned also that any planning inevitably involves bureaucratic problems. For every new area of decision brought

under government control, the number of planners seems to increase by geometric progression. Our war experience provided abundant evidence of the red tape, the layers of deferred decision, the human inefficiency involved in the functioning of a huge bureaucratic apparatus. Bureaucracy becomes a restraint on freedom. Kept within bounds, it need not be dangerous. Given unlimited range, it can create a class of self-perpetuating public servants who arrogate to themselves prerogatives and emoluments denied to the mass of common citizens for whose welfare the bureaucracy was initially created. This is precisely what happened in Russia.

The consequent distaste that liberals bear for all-out planning has shifted emphasis to that bare minimum of planning—and government ownership—necessary to keep the economy running at full throttle. At the same time, a painstaking effort is made in every Mixed Economy program to insure that the planning be as democratic and as decentralized as possible. The successful functioning of the Mixed Economy is thus a complex and delicate task, but the benefits it can be expected to confer are worthy of our most devoted efforts.

Today, the Mixed Economy has seized the imagination of the majority of liberal thinkers—economists, political scientists, historians and philosophers—who lift their sights to the long-range target. It has also won the private allegiance of a number of labor leaders and practical politicians, but it is, of course, far from being the credo of the labor unions, the mass organizations, and the party caucuses that compose our liberal movement. Programmatically, these groups still sustain themselves on the slim legacy of Roosevelt's New Deal.

The votaries of the Mixed Economy, however, often differ among themselves on how mixed the desired order should be. To pose the extremes: when Lewis Corey spins his doctrine in *The Unfinished Task*, he envisages a thumping measure of public ownership of monopoly industry. But Professor Alvin Hansen—in his most recent volume, *Economic Policy and Full Employment*

—pays little heed to socialization, stresses government fiscal operations as control levers.

Not only do the prophets of the Mixed Economy differ in their programs, but the term itself is subject to varying interpretations. Its elasticity is both advantage and drawback: it is sometimes used to describe both the present setup in the United States and the structural renovations which the Labour Party is promoting in Great Britain. In Britain, the government has launched a program of nationalization, it is encouraging cooperatives, but the bulk of the country's enterprise remains in private hands. The same development, however, has occurred in the United States. We too operate cooperatives—after the end of the war, the consumer cooperative movement began to handle a billion dollars worth of retail business a year, accumulated an enrolled membership of 2,500,000, got entrenched in any number of fields of basic production. As for socialized enterprises, we can point to the TVA, the great public power projects of the Northwest, and the booming government monopoly in atomic energy—certainly our most significant venture in public ownership. But both our cooperatives and our socialized projects are minor developments compared to the whole vast expanse of the American economy.

What is usually meant, however, by the mixed nature of the American system is the growing control over the economy which the federal government assumed during the New Deal and the war years. Under the New Deal, government spending policies directly affected the level of business activity; and the social service benefits which the government extended to its citizens invaded an area previously occupied by private enterprise and private charity. And during the war, government suzerainty over the economy became much more clearly defined, with the imposition of production quotas, price controls, material allocations, manpower directives.

So in a certain sense some writers regard our present setup as already a Mixed Economy. But most of those who eulogize the

"middle way" are hardly satisfied with our present mélange; they regard it as merely an embryonic Mixed Economy, and they propose something like the British deal. The difference between the British and U. S. economies lies, of course, in the proportions by which they are mixed. Britain boasts much more nationalization, vastly more government controls, more numerous and larger cooperatives.

The ambiguity of calling both systems by the same name is something of a virtue: it emphasizes the growth of the Mixed Economy on a gradual, piecemeal basis. We are heading in the same direction as the British, but they have advanced much further along the road. It is important that we catch up.

The movement towards the Mixed Economy has become worldwide. The term is seldom used in Europe, for there the slogan of socialism is as politically useful as it is suicidal here. But though the socialist brand name remains the same, the product has changed.

It is well known that the British Labour Party has no intention of socializing all of industry and agriculture: Private farm holdings will be left untouched, and only key, large-scale industry will be taken over. Even in this area, the projected program is a gradual one, so that when the Labour Party completes its first five-year term, eighty per cent of business will remain in private hands. But nationalization of coal, steel, transportation, power utilities, and banking—plus public supervision of private investment, and other controls—will enable the government to pilot the entire economy.

France has also taken a flier in nationalization (coal, central banking, aviation, public utilities, among others) and launched a program that is strictly Mixed Economy in approach, neo-Socialist in rhetoric. Shortly after the liberation, resolutions at Socialist Party congresses began to talk of the desirability of public, private, and cooperative sectors of the future French economy, and to argue their necessity in terms that have become the familiar rationale for

the Mixed Economy. From its founding, the Catholic Mouvement Républicain Populaire took the same line, and even the Communists—for reasons of tactical expediency—became limited socializers.

In Sweden, the Social Democratic Party has long championed a visibly successful "middle way" of public ownership, cooperative enterprise, and private holdings. New Zealand, whose Labour Party has been continuously in power since 1935, has boasted a liberally mixed economy for more than a decade. The same is true of the newest state, Israel.

In this country, the Mixed Economy has been embraced with considerable enthusiasm. In one form or another, it has been the subject of dozens of books—by John Chamberlain, Lewis Corey, Chester Bowles, Robert R. Nathan, Stuart Chase, Alvin Hansen, Mordecai Ezekiel, and many others. They all make a reasoned and persuasive case, presenting a solution to our urgent economic problems, a design for the Good and Abundant Society that is ruggedly democratic, strictly in the American grain.

The major problem for American liberals, however, is not the lack of a feasible solution or a practical goal. It is fundamentally the problem of means—how to attain the Mixed Economy.

Despite the differences among them, most of the Mixed Economy volumes share one characteristic: they diagnose our economic ills, prescribe the cure, sketch in the details of the desired system—but they stop short of discussing the political means whereby we can attain our pluralist economic ends. No matter how persuasive, most of these essays give the impression of existing in a political vacuum.

This is not necessarily a criticism of any particular book, for many of the authors consciously limit their scope to economic analysis. But it is time the argument moved on. For, in the long run, it is futile to discuss economic policy without regard to political pressures. It is unrealistic.

The Mixed Economy, in short, is still too much of a free-soaring speculation. So far, we have merely had an implicit assumption that we will persuade more and more people of the virtues of an American middle way, elect more and more politicians pledged to its realization, and eventually proceed, quite painlessly, to enact a program.

This assumption in turn rests on another—that the Mixed Economy is to the advantage of every group: business and industry, labor, farmers large and small, the self-employed craftsman, and the professional. The businessman is expected to benefit fully as much as the laborer.

If this assumption is correct, it is difficult to explain the resistance which even the mildest proposals involving governmental intervention in the economy have somehow managed to arouse in the business community. This opposition, however inexplicable, has been relentless; recall, for example, the successful campaign against the National Resources Planning Board, or the all-out assault on the first Full Employment Bill of 1945.

The Mixed Economy, I shall contend, does not favor the interests of every class of citizens. Moreover, the Mixed Economy involves the most strenuous and widespread type of social transformation. It may be almost as difficult to attain as a full-blown socialist system. For the Mixed Economy has one decisive element in common with socialism: both systems involve the elimination of our financial overlords. Under socialism, you socialize practically everything. Under the Mixed Economy, you take over certain large-scale, monopoly industries, and in those industries not socialized you break the price-fixing instruments which restrict production. The Mixed Economy, of course, has one advantage over socialism that is of the greatest significance—it can appeal to farmers, shopkeepers, certain business groups, most of which see their economic extinction in all-out socialism. But both systems confront the same major enemy: entrenched wealth. This is not, of course, the sole enemy, for the conservative resistance comprises

many groups—but big business is the hard core of the opposition. Overcoming it will involve a bitter, many-sided, tenacious fight, with the outcome impossible to predict. This is what too many progressives fail to see, or refuse to see.

So far, the prophets of the Mixed Economy have not faced up to what John Strachey once called "the coming struggle for power." In short-range campaigns—rent controls, trade union legislation, an FEPC or an anti-lynching law—progressives are realistic about their opposition and strive mightily to overcome it. But when they sit down to long-range goals, too many liberals beguile themselves with the notion that opposition merely reflects cultural lag and can easily be overcome. Others concede the possibility of bitter-end resistance, but avoid discussing it for fear the rude considerations of power will take the edge off the popular appeal of their programs. Whether they are self-deluded or timorous, their net effect is the same: a concentration on elaborating the details of the Mixed Economy—little attention given to its political imperatives.

Unless American liberals are realistic about the obstacles they face, they will never attain their goals. In the past, neglecting the political hurdles, underestimating the strength and resilience of the opposition was a prime cause of the failure of progressive movements in this country—and certainly of Social Democratic movements in Europe during the inter-war years.

The fate of these movements should point the warning for us. The Socialists in Germany, Austria, Spain, France, and England did not fail because they believed in the gradual transformation of the political and economic structure, but rather because they all believed, in varying degree, that the opposition would abdicate power. They were not prepared for what the "class enemy" would throw at them—in the form of economic sabotage, political obstruction, bureaucratic needling and, finally, the military thrust. The Socialist leaders lived in a paradise where the opposition would abide by the election poster and the ballot box. How tragic.

cally mistaken they were is attested by the history of the last twenty years. In the end, it took a world war to remove the base of the opposition to the Socialists.

In the United States, big business resistance is perhaps more powerful than it ever was in Europe. It is time we squared up to our political tasks.

It may be useful, at this point, to indicate the boundaries of this discussion. Part I sketches in the case for the Mixed Economy—covering the ground briefly, for this aspect of the subject has been canvassed in a number of volumes. Thus, Chapter 2 sets forth our economic problem; Chapter 3 argues for a solution in terms of a pluralist setup, demonstrating the manner in which the new design can overcome the business crises, and the attendant problems of monopoly and maldistribution of income, which have harassed every capitalist society; and Chapter 4 deals with the political necessity of a program of partial socialization and also with the interdependence of political freedom and economic pluralism. Chapter 5 then provides an analysis of the variety of plans that have been developed for the new economic dispensation.

The case for the Mixed Economy having been presented, our discussion then moves on to the political correlatives. First comes the background—Part II, Chart of Past Failures: in Chapter 6 we survey the debacle of European socialism in the inter-war years, from which much can be learned of significance in our current endeavors; in Chapter 7, the present-day relevance of the past defeats and triumphs of American progressives is covered; and, finally, in Chapter 8, the reasons set forth for the success of two eminently viable Mixed Economies, Sweden and New Zealand.

With the historical setting in mind, the discussion, in Part III, turns to The Road to the Mixed Economy, opening with an analysis, in Chapter 9, of the mainsprings of the opposition to the program. Thereafter, in Chapter 10, we proceed to a detailed consideration of how the national administration can be won to the

Mixed Economy.—what programmatic changes, shifts of tactics, types of political organization and education are required on the part of the liberal movement.

Chapter 11 follows with an analysis of the strenuous opposition which will meet the government's attempt to inaugurate a Mixed Economy program; we examine in detail the political, economic, legal, and propagandistic obstacles likely to confront an administration seeking to legislate social revolution.

Finally, in Chapter 12, the strategies are set forth by means of which an all-out conservative assault can be overcome and the Mixed Economy firmly established.

## PART ONE

# THE CASE FOR THE MIXED ECONOMY



## CHAPTER TWO

# THE PROBLEM

THE case for a mixed system is based, first of all, on a diagnosis of severe malaise in our economic life. Our economy is periodically unhinged by depression, it is continually harassed by the depredations of the monopolies, it suffers from a dangerous and inequitous maldistribution of income. Each of these maladies is critical and distressing in itself; all three are also interrelated, for monopolies and a defective flow of incomes decisively affect both the onset and severity of depressions.

For the sake of clarity, it is useful to present these problems one by one.

Depression is by far our most grievous difficulty. Remember the last one? For most of us, it is not difficult—even in a period of bounding prosperity that has endured since 1941—to recall the era when brokers were toppling from forty-story office buildings and farmers were dumping oranges into the ocean. We can remember when bread lines were a quarter of a mile long, apple-vendors abandoned in the streets, the cops battled relief marchers in the public squares, the household effects of evicted families cluttered the sidewalks of our slum sections, farmers brandished shotguns under the sheriff's nose at foreclosure sales, bought the neighbor's farm for a dollar and gave it back to him.

Those were the years when everybody took a salary cut, aggregate business profits sank way below zero, shantytown Hoovervilles sprouted on the outskirts of large cities, the Bonus Army

went to Washington and was dispersed with tear gas, the nation suddenly awoke to a juvenile delinquency scare in the form of hordes of boy and girl hoboes roaming the countryside.

Youths were jobless, despairing and, intermittently, rebellious. But hundreds of thousands stayed in schools, for want of anything better to do. Their teachers were also in a bad way—thousands of school boards ran out of funds to pay their staffs. All the professions were hard hit—ninety per cent unemployment among architects, for instance.

No housing shortage in the depression—families were abandoning their apartments, doubling up. You read about men sleeping in subways, in abandoned factory lofts, in all-night movie houses where a dime bought three films and eight hours of protection from the elements. The whole social fabric seemed cracking. No less august a figure than Daniel Willard, then president of the Baltimore and Ohio Railroad, typified the attitude of millions with a blunt "I would steal before I would starve."

If you did have work, you were often no better off than the unemployed. You might work one, two days a week. In many lines, sweatshop wages became the rule rather than the exception. Dressmakers in nonunion shops were making as little as \$7 or \$8 a week; New York secretaries drew \$15-\$20; a good domestic could be got for \$12—a month.

Farmers, who had hardly shared in the prosperity of the twenties, suffered mightily. Their bane was overproduction—while people starved in the cities. Prices were unbelievably low. Wheat fell to 32 cents a bushel, meat to \$3.28 a hundredweight, cotton to 5 cents a pound or less. Nationally, the farmers' income was more than halved.

The depression lasted from 1929 until the outbreak of war, with a partial, temporary recovery in 1936-37. It was the worst economic skid in our history. National income toppled from \$83.3 billion in 1929 to \$40 billion in 1932. Unemployment reached 15 million—almost a third of the country's entire working popula-

tion. More than 31,000 business firms expired in 1932, over 75 per cent of all corporations were operating at a loss. In a two-year period, nearly 50,000 miles of railroad went bankrupt. Over 5,000 banks had closed their doors by the time of Roosevelt's inauguration.

The depression was a drain opened under the floor of the economy, through which a huge chunk of the nation's wealth ran into the sewer. From 1929 to 1940 it is usually estimated that 88 million man-years of labor were lost through unemployment—labor time that could have produced \$350-400 billion worth of goods and services: homes and schools, factories and playgrounds, food and cigarette holders, layettes and trolley cars. Every field of production saw a sickening drop from 1929 levels: capital goods expenditure fell from \$18.2 billion to \$4.6 billion in 1932; food and beverage consumption—for a population that was on the increase—plummeted from \$21.9 to \$13 billion in the same period; new residential construction from \$2.7 billion to \$414 million.

In his book, *Mobilizing for Abundance*, Robert R. Nathan aptly summarized the huge wastage: "With the manpower, the management, and the materials which lay idle throughout the 30's, we could have much more than rebuilt every home, every factory, every office building, every bridge, every railroad, every dam, every power plant, every piece of furniture and clothing, and all other reproducible assets which exist in the United States today."

What troubles our economists, of course, is not merely the severity of depressions, but their recurrence. Before 1929, the economy suffered grave tremors in 1921, 1913, 1907, 1893, in each case for a long enough period to bankrupt thousands of business establishments, throw millions of workers into temporary discard, eclipse enough of the urban food market to deny the farmers more than a subsistence living.

Inevitably, we contrast the wastage of a crisis-wrecked economy with our industrial achievements in World War II. Almost half

our national production went for guns and planes and tanks, shelter halves and mosquito nets and mess kits—and yet we turned out, in the aggregate, more goods and services for consumers than before the war. We shot away half our national product each year—and were no worse off for the loss. True, there were no new cars and homes and refrigerators, but we had more food, almost as much clothing, more entertainment and miscellaneous items. A total of \$97.6 billion worth of goods were snapped up by consumers in 1944, as against \$61.7 billion in 1939. Even allowing for the rise in prices, it is seen that the volume of consumption goods more than held its own.

We were capable of this productive bonanza because for the first time since 1929 we had achieved full employment—all our factories and all our men and a good many of our women were on the job. Not only that. The factories were running at full rather than partial capacity, labor was putting in huge quantities of overtime, individual workers were operating at higher rather than lower skills—i.e., the toolmaker was no longer working as a dishwasher. We could afford both guns and groceries—our total output had doubled. In 1939, Gross National Product was worth \$88.6 billion. In 1944, the figure was \$198.7 billion.

If we are capable of such prodigies in war, why not in peace? Why can't we extricate ourselves from the boom-and-bust cycle?

Next to depression, monopoly is our most critical economic problem. The ravages of the monopolies are an old and well-worn tale, repeated in every decade of our history from the great trust amalgamations of the '80's to the present time. The indictment against these Goliaths has been endlessly spelt out: They filch the consumer by holding up prices. They undercut the nation's wealth by restricting production. They destroy economic freedom by squeezing out independents. Their control of strategic productive facilities is a grave threat in time of war. Their abnormally high

profits is an equally grave peril in time of peace—periodically helping to unbalance the economy and bring on depression.

Price-gouging is the most visible characteristic of the monopolies. Who hasn't his own favorite horrible example—eyeglasses which sold for at least three times the figure at which they could be profitably retailed; magnesium pegged before the war at a price one third higher than aluminum, for the Aluminum Corporation of America did not countenance any competition with its product; or that amazing plastic powder sold by Du Pont and Rohm and Haas at \$45 a pound to dentists—and 85 cents a pound to commercial molders; or steel, boasted to almost any price by the U. S. Steel Corporation—with the rest of the industry dutifully "following the leader."

The usual corollary of high prices are curbs on production. Remember how the steel, aluminum, magnesium monopolists fought plant expansion during the war? And how the international cartels well-nigh stymied our production drive by blocking the supply of rare metals, plastics, machine tools, any number of chemicals, electrical equipment, synthetic rubber—a shameful and dismaying tale that was painstakingly documented by Senator Truman's and Senator Kilgore's talented crews.

Almost as distressing has been the lethal effect of monopolies on the small businessman. Where the monopolies do not drive him to the wall, they strive to buy up his assets, with great and renewed success since the boom started in 1940. In the following seven and one-half years, a total of 2,450 independent manufacturing and mining companies—with combined assets of \$5.2 billion—were swallowed up by more affluent firms. The victims were almost always the little fellows: 9 out of every 10 had assets under \$5 million; 7 out of every 10 under \$1 million.

But perhaps the most important effect of our corporate giants has been the depressant impact of their huge profits on the rest of the economy. When General Electric earns a profit rate in one postwar year that is 83.6 per cent above its 1939 level, when U. S.

Steel's 1947 income goes up 43 per cent over the previous year, the swollen profits these figures represent add immeasurably, in the long run, to the disastrous gap between savings and investments—the factor largely responsible for the occurrence of depression. (This point, however, takes us a little ahead of the discussion; analysis of how depression gets underway occurs in the next chapter.)

Monopoly is found virtually everywhere in American industry. In a recent article,\* Wendell Berge, former head of the anti-trust division of the Department of Justice, listed the areas where the scourge is most prevalent: "many of our largest metallurgical industries, the chemical industry, the electronic and electrical equipment field, the production of pharmaceuticals, the manufacture of precision instruments and machines, the distribution of foodstuffs and tobacco, the petroleum industry." And equally prevalent, he then added, in "nearly all of the central sectors which are characteristic of a complex modern industrial system."

Classic methods of promoting monopoly have been control over patent rights—a mechanism exploited to its fullest reaches by international cartels—and the informal but highly effective device of "gentlemen's agreements" among many producers in a single field. Competition is often not completely banned by these devices. It is kept, rather, within discreet limits that threaten nobody's profits. The best method of effecting monopoly, however, is by concentrating production in fewer and fewer hands; in this country the growth of monopoly has always been linked with the increasing concentration of business power. The fewer the corporations in a field, the easier it is to keep competition within nominal bounds; the fewer the financial groups controlling diverse manufacturing and trading corporations, the easier it becomes for the major satraps to police wide stretches of American industry.

The extent of this concentration was documented most recently

\* "Monopoly and the American Future," *Virginia Quarterly Review*, Autumn, 1947.

by the Smaller War Plants Corporation in its 1946 report on "Economic Concentration and World War II"—a grim and disquieting parade of statistics:

¶ In 1946, nine of the ten largest steel producers operated over 75 per cent of the country's entire steel ingot capacity.

¶ In lead refining, one corporation—American Smelting and Refining—possessed 54 per cent of the country's capacity. Anaconda did better with zinc refining—70 per cent of capacity.

¶ In copper, the four largest concerns have mined more than 80 per cent of the metal since before the war.

¶ Concentration in automobiles advanced so rapidly in the period between the wars that by 1940 the Big Three—Ford, General Motors, and Chrysler—had squeezed out most of the important competition and garnered 90 per cent of the passenger-car business.

Every area of the economy has long been dominated by a few financial and industrial giants. By the time the war broke out:

¶ "One-tenth of 1 per cent of all the corporations owned 52 per cent of the total corporate assets."

¶ "The country's 20 largest banks held 27 per cent of the total loans and investments of all the banks."

¶ "The 200 largest nonfinancial corporations owned about 55 per cent of all the assets of all the nonfinancial corporations in the country."

Even more significant, eight "financial interest groups" were found to control 106 of the 250 largest corporations in the country. This control was exercised through "stock ownership, interlocking directorates, common affiliations with investment banks, intangible personal interrelationships, or combinations of these means."

The eight groups centered around financial institutions, family empires (Rockefeller, Mellon, Du Pont), or groups of industries in different localities.

The largest combine, under the hegemony of J. P. Morgan & Co. and the First National Bank of New York, was composed of

13 large industrial firms—in steel, coal, copper, oil, railway equipment, and other lines; 12 utility corporations, controlling more than a third of the nation's electrical generating capacity; 11 railroads; five large financial houses.

Industrial concentration increased during the twenties, increased again during the war boom, and has grown even tighter since VJ-Day. According to a report of the Federal Trade Commission, "Merger activity turned sharply upward with the end of World War II and continued at a relatively high level through 1947. In the final quarter of 1947 more mergers and acquisitions were reported than in any fourth quarter—with the single exception of 1945—since 1930."

Mergers increased so rapidly because of huge boomtime profits. The monopolies are always eager to capture and control the weaker brethren, but they need the wherewithal to finance these adventures. They now have it aplenty. By June, 1947, for example, our 78 largest manufacturers had accumulated enough net working capital to purchase the assets of some 50,000 concerns, each worth \$1 million or less. These 50,000 small fry account for 90 per cent of all manufacturing corporations in the United States today.

Monopolies affect the livelihood and welfare of every last citizen, but they usually work by stealth and indirection; they are a hidden enemy. Not so with that grievous phenomenon known as the "maldistribution of income." Its impact is immediate and vivid—at both ends of the income scale. Its effects are not only economically harmful (a point that will be argued when we treat the causes of depression) but socially corrosive.

We can view the income split from a number of angles. First, the apportionment of personal incomes—a grossly unbalanced spread, which denies millions of families the basic necessities of life. For example, even in the boom year of 1941, 15 per cent of all families had incomes of less than \$500 a year; 49 per cent received \$1500 or less; 64 per cent, \$2000 or less.

In the same year, only one family in 25 received an income of \$5000 or more.

Savings show an equally great disproportion. In 1948, one-fourth of all families lacked either a savings account or a single government bond. At the same time, the 10 per cent of American families with the highest incomes had accumulated 43 per cent of the liquid assets owned by all families.

Thirdly, if we consider the division of national income between wages, profits, interest and so on, it is apparent that profits rise at a far more rapid rate than wages. In the twenties, for example, industrial output increased 25 per cent, but profits (before taxes) jumped over 50 per cent. At the same time, labor productivity advanced 24 per cent, but the average factory worker's hourly earnings went up a mere 3½ per cent. Little wonder that this disparity strikes the wage worker as morally unjust—quite apart from its long-run economic consequences.

And the effects of so unequal a sharing of the nation's bounty? Just examine the gustatory, health, housing, and sundry living standards of the great mass of the population:

¶ During the war years, three-fourths of all citizens had inadequate diets. Nearly 40 million lacked enough to eat.

¶ One out of every three citizens needed a decent home—or just a home.

¶ Many of our citizens have never been able to afford more than a pittance for clothing—in the cities half the men spent \$67 a year or less, according to a 1941 survey; their women only \$5 more.

¶ The nation suffers from surprisingly poor health. A total of 40 per cent of the men tapped by Selective Service during the war were rejected for medical reasons. In 1948, the government estimated that a total of 325,000 lives could be saved annually if all the resources of modern medicine were applied to the task.

¶ Finally, education: almost 2 million men were rejected by the army for illiteracy. They could not afford to go to school—of

their communities could not afford schools to house them. As late as 1940, a quarter of the children of school age were not in the classroom. Half our kids never finished high school.

That, in brief, is what "maldistribution of income" means in human terms—an underfed, badly housed, poorly clothed, ailing and uneducated bottomside of the population, several million in numbers. It is a problem that neither the prosperity of "normalcy," the frenzy of wartime activity, nor a postwar inflationary boom has been able to solve. It is a problem which—like the recurrent trauma of depression and the endless spoliations of the monopolists—has the first claim on the attention of progressives. On any count the task is immense: we must somehow prevent the next crash, rein in the monopolies, and distribute the nation's income in a fashion that accords both with social justice and economic wisdom.

We come now to methods, instruments, solutions.

## CHAPTER THREE

# THE ECONOMIC CASE FOR A MIXED SYSTEM

AS WE shall see, our three major economic problems are so intertwined that in the long run a successful assault on depression necessarily involves breaking the monopolies and rerouting the flow of incomes. Hence, our most fruitful approach is to consider the causes and cure of depression, treating the allied problems as they relate to this central theme.

### WHY DEPRESSION?

Certainly a time-worn question. Liberal and radical economists have long addressed themselves to the problem. By now, they pretty much agree on the causes of depression, although their approaches vary.

The standard diagnosis, fathered by John Maynard Keynes, stresses the savings-investment gap. In our mature, muscle-bound capitalist economy, profitable investment outlets are normally not abundant enough to drain off all the savings that would be accumulated at a high level of income. In a boom period, a saturation point for new investment is eventually reached. Savings tend to be hoarded. Not all savings, of course, but enough so that the demand for capital goods—iron and steel, turbines and machine tools, diesel engines and new factories—begins to taper off.

When this happens, payrolls in the capital goods industries

tumble. The workers at ALCOA, Bethlehem Steel, Baldwin Locomotive now have less money to spend on radios and pork chops. Their shrinking purchases soon cause a drop in pay-and-employment rolls in consumer goods industries—and a drop in the income of farmers. This decline again reduces consumption demand, and also causes a further slump in orders for capital goods—for fewer machines are now needed by the radio factories and slaughterhouses. Demand for the products of all industry and agriculture is now shrinking, and with a shrinkage in demand goes a shrinkage in production. If nothing is done to offset the slump, the depression worsens until the irreducible minimum of consumer and capital consumption, which exists even at the bottom of the depression, is reached. After a while the factories and machines get so decrepit—and the consumer goods inventories so reduced—that demand begins to increase, a productive revival is forced. Once again, the economy begins to swing out of the doldrums.

A corollary explanation of how depressions are touched off goes by the name of "underconsumption theory." According to this view, income is so maldistributed that too small a portion is allotted to wages, too large to profits. Similarly, too large a chunk of the national dollar goes to the rich—who necessarily save the bulk of their earnings—and too small a chunk to the poor, who are always quite capable of consuming much more. As a result, the mass of wage earners cannot afford to purchase enough of the goods and services which they produce. In the short run they may be able to buy back their product, and the period can be extended through credit inflation, but over the long haul their income is inadequate.

As fewer dollars go to market, unsold goods overload the shelves. A fall in price and production follows until supply meets demand at a lower level. But as production drops off, demand shrinks again and the country soon tumbles into the familiar depression spiral.

Underconsumption theory is the reverse side of the savings-

investment disparity. In general, the same maldistribution of income that causes an excess of savings causes the shortage of mass purchasing power. In addition, lack of purchasing power is one of the factors limiting investment opportunities, for it makes the consumer goods industries less attractive to the profit-seeker. The other curb on new investment is the maturity of our economy, of which more later.

There is a traditional Marxist way of explaining depressions that jibes closely with the foregoing analyses: the falling tendency of the rate of profit. According to this view, as industry becomes increasingly mechanized—and as a country becomes more and more industrialized—it is gradually less profitable to build new factories, sink new mines, lay down new railroads. As John Strachey put it in *Programme for Progress*: "... it is the accumulation of capital itself which, by making capital more plentiful, tends to make each unit of it yield a lower profit. And yet the accumulation of capital is inescapably the very end and purpose of the system, which can hardly be tampered with without bringing the wheels of capitalism to a stop. It is for this reason that the system is continually tending to produce conditions in which it can no longer function."

Historically, a number of developments have jacked up the rate of profit: population growth, technological improvements, the discovery of foreign markets abroad, the American frontier at home, and so on. New inventions, new industries provide a huge return on capital. Sizable population growth results in an abundance of cheap labor and new chunks of consumer demand, which it becomes lucrative to supply. (This was one of the biggest boons that came from the boundless influx of immigrants into the United States during the forty years up to World War I.) Foreign markets again provide wide expanses of new consumer demand, as well as tremendous raw material resources. The westward movement of our frontier did the same job for a nascent American capitalism during the nineteenth century. All these factors bolstered the rate

of profit by putting a premium on the investment of new capital. Today, unfortunately, these same factors are either not operative, or are operative to a much smaller extent.

This is the point at which our three views of depression intersect. A tendency towards domestic underconsumption can be disastrous because it is not countered by a bounding demand for new capital in other fields. The savings-investment gulf becomes radically marked because of the maturity of our economy—the country is highly industrialized, population is relatively stable, the frontier is gone, there is a dearth of new foreign markets, new inventions appear but have not created large enough new industries.

So run the views of liberal and radical economists. As for the conservatives, they often betray a complacency about depression that is as much a matter of emotional conditioning as economic orientation. Depressions are regarded as part of the natural order of things, a periodic seizure and shakedown of the economy that is inevitable—and possibly wholesome—after a boom has continued for some time and values have become inflated. The human cost of unemployment is possibly regarded as regrettable, but unquestionably worth the benefits in personal freedom that are conferred exclusively by the "free enterprise" system.

The usual conservative prescription for an ailing economy is to do nothing, to free businessmen of every restraint but their own prudence, to wager everything on the maintenance of "business confidence." In more expansive moments, conservatives play with the thought of getting back, so far as possible, to the free and untrammeled conditions of the early capitalist market—no monopolies, no government intervention, no trade union restrictions—a happy condition in which depressions were, theoretically, impossible, for the economy was so beautifully self-regulating that no violent imbalances could occur. But this nostalgic program is at best merely an academic dream.

When depressions occur, many conservatives feel that unions are disastrous, for they do not allow employers to cut wages with

the abandon they would like, and hence prevent the creation of new margins of profitability that would give businessmen incentive to expand production. Willford I. King, Professor Emeritus of New York University, for instance, has stated that the federal government "can also aid in preventing depression by breaking the power of the labor monopolies and encouraging employers to reduce wage rates when prices of products fall." (*PM*, May 25, 1947.) Apart from the cost in human misery involved in a wholesale slashing of wages—for, if the "labor monopolies" were broken, wages would be cut below the level where they would be in balance with the new, lower prices—the flaw in this argument is its disregard of the effect wage-cutting would have on reducing a consumer demand that was already shriveling.

#### LET'S SPEND AND SPEND

Liberal economists, who have always been more emotionally surcharged about depressions, have been more active in seeking a solution. The Marxists were long the most overwrought and most energetic. They were persuaded that socialism would end unemployment. But short of socialism, they could see no cure. This gave them a fine polemical bludgeon when they took to the soap box. But, as we shall see, their lack of an interim solution was a grave political liability once they attained government power under capitalism—and somehow had to end unemployment before they had a chance to introduce socialism.

For years, the so-called underconsumptionists, who included a large number of trade union brain trusters, argued that the economy could easily be jazzed up by healthy shots of increased purchasing power: pay the workers more, by so doing increase consumer demand and create an eager market for all the goods industry could produce at all-out operation. Faced with an insatiable, dollar-backed demand, businessmen would never lack incentive to expand production and, as the technological level of the country was raised, everybody would share in the bounty.

One thing was wrong with this prescription: raising wages means raising costs to the individual business. If prices remain stationary, profits are cut. An addition to the wage bill large enough to stimulate the entire economy would simultaneously tend to depress it by cutting profit levels and so inhibiting business activity. This would not occur, of course, if prices were raised. But if prices kept pace with wage increases, the economy would merely be chasing its tail. This is not an argument against wage increases per se, but against the notion that they can be the great bootstrap-lifter. Wage increases are beneficial when they match increases in labor productivity, for then they do not have to be reflected in rising prices.

The NRA, inaugurated in the bleakest days of the depression, tried to inspirit the economy by raising both wages and prices. The effort did result in some business revival, but hardly the great productive spurt that had been anticipated. Unemployment continued to be reckoned in the millions. Somehow a way had to be found to increase buying power without increasing costs and prices.

The way was government spending. At first, Washington trotted out huge work-relief projects because of the pressing need to feed and clothe the unemployed. Any kind of made work seemed better than a dole. Quickly, however, it was perceived that government spending might spark a business revival. By providing jobs, the government was pumping hard cash into the pockets of the apple-vendors, and that directly stimulated the consumer goods industries. Then, every time the Public Works Administration built a bridge, dam, or public building, it gave a boost to the capital goods industries by ordering quantities of brick, cement, iron and steel, building machinery. All this artificial respiration without any substantial cost to the average businessman. The only additional cost was the increase in tax rates—and the revival in trade made it well worth-while. A painless way had been found to jack up market demand.

Government pump-priming began to put the unemployed to

work. From 1933 to 1937, Washington laid out approximately twelve billion dollars more than it took in in tax receipts; by the end of 1936 it was unloading new purchasing power at the rate of over four billion dollars a year. Economic revival soon followed. National income rose to 49.4 billions in 1934, 55.7 in 1935, 64.9 in 1936, and 71.5 in 1937. During the same period, unemployment dropped from 15 to 10 millions.

As a consequence of recovery, public spending was sharply cut in 1937. During the entire year, the government made a net addition to purchasing power of less than one billion dollars—as against four billions in 1936. The result was swift and disastrous. In September, 1937, a sudden business slump set in—more precipitous than the one in 1929. Within seven months, four and a half million persons went home with pink slips. Not until the government began spending heavily again—in 1938—did the economy recover.

After Pearl Harbor, pump-priming won its ultimate triumph: full production and full employment. Armament orders in the 40's did the same job as bridge- and dam-building in the '30's. The end products had changed, but the method was the same—it was now more effective because the Treasury was unloading vastly more money. One way or another, there was now a buyer ready to plunk down a dollar for every dollar's worth of goods and services that were produced. Frequently, there were too many buyers. Price controls had to keep a damper on the inflationary pressures. In the depression, of course, huge government spending had not bid up prices appreciably, for then dollars were scarce and goods—and unemployed men and machines—plentiful, rather than the reverse.

Our future problem will be keeping demand on the high war and postwar plateau. Liberal economists no longer talk of how much pump-priming is necessary to spur the economy out of the doldrums—rather what amount of total spending, by the entire nation, will be required to keep us from sliding downhill. The

point of departure has shifted somewhat, but the approach remains basically the same.

The current procedure involves a series of forecasts. First, on the basis of the current price level,  $x$  dollars worth of goods and services would be turned out in the next year if the economy ran at full throttle. Consequently,  $x$  dollars would have to be spent to clear the market.

Then the employment level at full production—and the national wage bill—are figured. From these data, the amount of money that would be spent on *private consumption* is calculated. (Modern statistical methods can readily predict consumer spending habits at different income levels.) Similar forecasts are made for the volume of *private business investment* and the total sum to be spent by government on *community services*—education, public health, police, etc. These three outlays—*private consumption*, *community services*, *business investment*—are totaled and the resulting figure compared with the aggregate price of all goods and services available at full production. Any gap would have to be filled by the government. If it were not, some items would remain unsold, production would decline.

To fill the spending gap, various alternatives are close at hand. If it seems desirable to increase private consumption, taxes can be cut, particularly in the lower income brackets, and social security benefits increased. Taxes can also be raised on higher brackets to help finance benefits for lower. In all these ways, and also by the normal trade union pressure to raise wages, the evils of our present maldistribution of income can be redressed.

To boost private investment, low interest loans can be advanced to small business. Another tack is to offer foreign loans or make outright gifts as we are doing under the European Recovery Program. Since the money will be spent in great part for American goods, both our capital and consumer goods industries will get a lift.

Finally, the government's biggest instrument is its spending

power—it can pour billions into public housing and river-valley developments on the TVA model, it can build tens of thousands of schools and hospitals and public parks, it can roll four-lane highways in every direction across the land, it can throw up endless bridges, post offices, auditoria.

This expenditure would not involve made work—leaf-raking à la WPA. The money would pay for useful, productive enterprises, valuable in themselves—quite apart from their effect on propping up the economy.

The government finances its public works in part through taxation but largely by borrowing from the banks and from the people. Deficit spending from 1930 to 1946 boosted the federal debt each year, but it has never become the back-breaking load that conservatives bewailed. The debt went from \$22.5 billion in 1933 to \$35 billion in 1937 to \$44 billion in 1940. By 1947, it reached the eye-goggling sum of \$257.7 billion—and the country was far from bankrupt. For the government never has to "pay back" all of the debt—the Treasury merely doles out interest to bondholders. At times, the government does retire part of its IOU's, but it is under no compulsion to retire all of them. True, as the debt piles up, so does the burden of interest charges paid out of taxation. But government spending also boosts the national income—hence the same income tax rate produces more revenue to pay interest charges on a larger debt. The danger of an oppressive interest-load would come only in a depression, when national income falls.

Today—with the Employment Act of 1946—we have a mechanism that goes part of the way towards assuring full employment. According to the Act, "it is the continuing policy and responsibility of the Federal Government . . . to promote maximum employment, production and purchasing power."

The Act establishes a three-man economic council which each year makes a report to the President, on the basis of which he submits an economic survey to the Congress. His report presents,

among other things, "the levels of employment, production and purchasing power obtaining in the United States and such levels needed" (to maintain maximum employment, production and purchasing power); "current and foreseeable trends" in these levels; the impact thereon of present economic conditions. The report, in addition, includes policy recommendations. A joint Senate and House committee is also established, the purpose of which is to review the President's proposals and survey the same field independently.

The Employment Act thus provides an apparatus by means of which the Executive and Legislative branches can keep an eye on the stability of the economy. It does not, however, authorize any immediate action once a slump is foreseen. Such first aid would have to be the subject of separate legislation. Thus, the government is far from being vested with power to head off depression. But the Employment Act is still a great help.

The budget approach to the nation's pocketbook is the *sine qua non* of most Mixed Economy plans. Washington directs the economy by operating its fiscal levers—the power to tax and to spend, to loan and to subsidize. By so doing, the government controls the volumes of investment and consumption, the levels of employment and production. It can forestall depression, push the nation to ever-higher standards of living.

#### WHY SOCIALIZATION?

The goal of a stable, expanding economy would thus seem to be reached. But most Mixed Economy schemes go beyond the government's fiscal stewardship. The state takes over certain industries, establishes new socialized enterprises, actively promotes cooperatives. It is not an easy task. But it is imperative for both political and economic reasons. The political urgencies will be discussed later. Here we consider the economic argument.

In the first place, many projects—a Tennessee Valley Authority, for instance—require more capital than private enterprise can

easily scrape up. Or they are of a nature where the public interest is so dominant that private control would be absurd. Our postal system is a classic example. Most recent, and most important, is atomic energy, from the outset a socialized industry. Because of overriding considerations of security, the Congressional fight came on the issue of civilian versus military control—not public ownership versus private.

The major economic argument for public ownership is the fact of monopoly. The reasoning is familiar: monopolies are a perpetual drag on any all-out, full employment program. We have already discussed their methods. By rigging prices at artificially high levels, monopolies tend to restrict production. At the same time, they aggravate the savings-investment dilemma by creating much more bountiful profits than competition would allow. And these derelictions are hardly confined to monopolies in the strictest sense of the term. We have pointed out that monopoly price-fixing pervades the economy, in many fields where three, four, or a couple of dozen concerns share the market.

Before the war, our most famous monopoly was probably the Aluminum Corporation of America. Its complete sovereignty allowed it to fix prices at any level and so set the absolute quantity of aluminum that the country would consume. In other industries the situation has been less clear-cut. We were long blessed with a number of cement producers, for example, but price quotations were usually the same.

During the past few years, the Department of Justice has scored antitrust victories in a number of fields. It broke the bottle monopoly. It broke the aluminum monopoly. It ended the Pullman Company's monopoly over both the manufacture and operation of its railroad cars. It outlawed the basing point system in the cement industry and in the steel industry—sizeable triumphs, indeed.

Despite these victories, monopoly is still rampant in American industry, a point we were at some pains to demonstrate in the last chapter. In 1948, the Federal Trade Commission stated: "No

great stretch of the imagination is required to foresee that if nothing is done to check the growth in concentration, either the giant corporations will ultimately take over the country, or the government will be impelled to step in . . ."

The battle of the people versus the trusts, one of the oldest folkways of American capitalism, is as far from being won today as it was forty years ago. At that time, however, trust-busting aroused full-throated enthusiasm among the voters. Today it seldom arouses more than a passive flicker of interest when a new case hits the headlines. The legal onslaught against the monopolies has become another of those perennial crusades that are never completely won, like the campaign against automobile accidents. We still have our confirmed trust-busters—and almost everybody agrees it is good to harry the monopolies with law suits, because otherwise the situation would be worse. But most liberals no longer believe in reform by court trial. As soon as one price-fixing, production-cutting instrument is broken, another is fashioned in its place. Corporate ingenuity is always quicker than governmental scrutiny.

Now that trust-busting has lost its bloom, liberals back a variety of schemes to bring the monopolies to heel. Some propose that government regulate all monopolies, as is now the case with railroads and public utilities. But regulation can boast few triumphs. Too frequently, as the taunt goes, the monopolies regulate the regulators. Another proposal calls for consumer and labor representation on the boards of our principal corporations. Still another would appoint government delegates as board members. The difficulty with these schemes is that all three groups of interlopers could be outvoted by a united front of the old hands.

Public ownership—and cooperatives—provide a much more reassuring line of attack. By socializing the principal monopoly industries, the government straightway eliminates the major obstacle to an expansionist economic program. Socialization has

the virtue of being a definitive solution—it removes the monopolists by the roots. They are powerless to maneuver a comeback.

It is easy to set up a rough measure of what industries to socialize, what ones to leave to private control. The criterion would be the degree of monopoly. Industries where monopoly is dominant could be taken over, relatively competitive industries could remain in private hands. This might mean, for example, public ownership of mines, electricity and gas, iron and steel, communications, the railroads, but not of the apparel industries, textiles, publishing, department stores.

In industries where competition does exist, but where a few concerns control large chunks of the total output, governmental policing to prevent the growth of monopoly should continue—and more energetically than at present. Producer cooperatives would also have a tonic effect. They would have to follow the Swedish model in undercutting the going market price; in this way Swedish cooperatives broke monopolies in a number of fields. More than any amount of governmental exhortation, the co-ops can keep free private enterprise on its toes.

## CHAPTER FOUR

# THE POLITICAL CASE FOR A MIXED SYSTEM

SOCIALIZATION of our industrial behemoths is necessary for political as well as economic reasons—a point frequently overlooked by liberals. For public ownership undercuts the economic base of the strongest opponents of a liberal program, the VIP's of big industry and big finance.

It is important not only to outvote the big boys, but to eliminate their political influence, lest they regain power at some future time and undo the reforms of a progressive administration. It is easy to foresee a situation—in the depths of a great depression—where big business, frightened out of its self-assurance, would acquiesce in a program of drastic government action, only to revert to its normal, bitter-end opposition once conditions improved and its public relations appeal revived.

Indeed, this is precisely what occurred after Roosevelt took office in 1933. Businessmen, at the very nadir of despair and frustration, welcomed government direction. Nay a word about the dead hand of Washington bureaucracy, or the tyranny that springs from the government's trespassing on the preserves of private enterprise. Rather, some of business's queasy spokesmen went so far as to suggest nationalization of our sickest industry—coal-mining. They certainly put up no feverish opposition to the bank holiday, to NRA, AAA, home mortgage moratoriums, or

to huge schemes to put the unemployed to work on public projects. Roosevelt was the hero of practically the entire press, conservative included.

Once business improved, however, Roosevelt began to be damned for the very measures of government intervention previously applauded. With a revival of business revenue came a revival of business confidence, pugnacity, and ingenuity in foiling the machinations of government. Business began to insist on a free hand to its own back yard. After 1939, the New Deal was dead on its feet, although it kept beating its breast to prove its vitality.

A program that would be content with the government's gaining control of the nation's fiscal levers would face the same hazards and probably encounter the same fate as the New Deal. When business would be on the skids, the government could get the power to launch a compensatory fiscal policy, but that power would likely be snatched away by the Congress after conditions improved. Socialization of the key industries of the country would be the best insurance against this pass.

It is easy to see why. If steel, coal, oil, transport, electric and gas utilities, transportation, communications, the monopolistic chemical combines—to mention the obvious examples—were socialized, America's legendary sixty families would be shorn of much of their economic power and a sizable chunk of the income that goes to the support of the alarmist busybodies of the Republican Party, the Committee for Constitutional Government, and the National Association of Manufacturers. The millions of dollars that in the past have sparked union-busting legislation and resisted every effort to raise the minimum wage and extend social security would be reduced to manageable if not meager proportions.

Socialization of du Poot would transform politics in Delaware, socialization of Sun Oil would remove Mr. Pew as a political power in Pennsylvania. Public ownership of the country's electric

utilities would alone have a hygienic effect on politics in every state capital and in Washington, where the power interests have long maintained the most affluent and tenacious of lobbies. If steel, oil, coal were taken over, the parallelogram of political forces in the entire nation would be radically altered. (Of course, the voters could always change their minds and de-socialize an industry, but this seems an unlikely development—as far-fetched, for example, as turning the TVA over to private utilities. Socialization is likely to be a one-way street.)

Then there is the matter of economic sabotage for political purposes. So far, it has been a rarity in this country, largely because our basic capitalist control has never been decisively threatened. But it would be foolhardy to wager that our economic royalists will always exercise similar restraint. A mass disinclination to make new investments, a tightening up on mortgage loans, open warfare on unions are among the many guerrilla tactics available to the moneyed crowd. Let's not forget that in 1940 American industry went on a virtual sit-down strike against war production until it exacted the most generous possible contract terms from Washington. The story of how defense was stymied until industry got bought off has been told many times. Why let the corporations keep their weapons?

#### ALL-OUT SOCIALISM

There being a persuasive political as well as economic case for socialization, why not follow its logic to the furthest reach and take over all industry and commerce? The proposal has the ring of economic efficiency and political safety.

But the logic becomes dubious if extended this far. Here we come to the heart of the political case for the Mixed Economy. The sanguine assumptions of thoroughgoing socialism have proved to be naive. The full-blown article contains dangers that can only be prevented by a partial approach. An unconfined socialism is no better than a rampant capitalism. It has taken three decades of

experience to demonstrate that socialism contains within itself, if not the seeds of decay, certainly the seeds of totalitarianism.

All-out socialism means government ownership of virtually the entire industrial plant of the country. Under such a setup, the government plans every last constituent element of the economy. For it appears much more efficient to control everything directly rather than leave any substantial area to the regulation of market forces. The supply-demand equation is thus determined by ukase. The government decides what goods are to be produced, sets down production quotas, supervises marketing. In such a tightly blue-printed setup it then seems dangerous to leave any economic element with a free-wheeling independence of its own. So labor recruitment and training are controlled, and the government keeps a firm hand on the mobility of labor, directing the flow from industry to industry and from job to job. Not only does the worker have to apply for permission to change his job, but he totally forfeits the right to strike. The logic: a strike against the government is a strike against the people—i.e., against himself. This entire development is a natural progression, given the premise of complete government ownership of the economy.

At the same time, a number of other economic freedoms are sharply limited. The self-employed professional person is circumscribed in the use he can make of his talents, the farmer is denied the right to dispose of his product as he sees fit. And your average citizen has much less chance to determine what he can buy than he has under capitalism where, despite the restrictions of monopolistic competition, every consumer dollar spent in the marketplace is a vote for product A as against products B or C. Under complete topside planning, consumer's freedom of choice would undoubtedly be considerably restricted.

Thoroughgoing planning also carries the danger of such a sizable growth of bureaucracy as to constitute a drag on freedom. Bureaucrats in every country, under every economic order and every political dispensation, have always betrayed an uncontrollable

urge to multiply both their numbers and the bewildering complexity of rules which order their official lives. Planning inevitably means the proliferation of bureaucracy. The more planning, the more bureaucracy. The economy becomes ruled and ordered by a mass of barely decipherable gobbledegook. The lower echelons of industrial administrators are continually inhibited by fear of what the higher echelons will say. Throughout the hierarchy, ingenuity, imagination, spontaneity tend to be curbed by a threat of reprisal and a passion for buck-passing that are endemic to the system. To be sure, the abuses of bureaucracy can be checked by an alert government and a prying electorate—even in Russia there are periodic housecleanings of would-be Stakhanovites who have succumbed to the lure of the well-padded swivel chair—but, naturally, the more bureaucrats to cope with, the greater the problem becomes.

There is a further danger—that the bureaucracy may encompass the whole of the government apparatus, become indistinguishable from the executive and legislative arms. Under full-blown socialism, the bureaucracy, as a group, becomes the best-paid, best-housed, best-educated segment of the population. The technicians and engineers, the managers and the generals emerge as the new élite. Their rewards are naturally higher than the mass of factory workers, white-collar employees, or farmers, because their responsibilities are much greater. The danger is that this new élite will seek to safeguard its position by limiting the numbers of newcomers to its ranks, passing on its prerogatives to its offspring, blocking off any channels whereby the mass of the citizens can circumscribe its activities. And the initial material advantages which the bureaucracy enjoys can easily degenerate into an assiduous amassment of privileges for privileges' sake.

The dangers of bureaucracy, the loss of economic freedom inherent in full socialism, have their corollaries in an invasion of the political freedoms. The process is easy to understand. In an economy that is closely blueprinted from the top down, little

flexibility or independence can be allowed to any of the parts. The factory manager fulfills his quota—or else. The worker doesn't assert himself from his job—or else. Pressure is first used to control the *actions* of possible economic dissidents. The next step is to control their *opinions*, for there is always the fear that a slogan may at some date be translated into action.

In a socialist state it is only natural that the complexity of industrial decisions for which the government is responsible becomes the daily chaff of politics. Epochal political struggles are generated by the broad issues of economic policy—as was the case in Russia with the New Economic Policy, the rapid industrialization of the country, and the collectivization of the land. Starting with the premise that the nation's welfare demands united action on the industrial front, the government is likely to perceive that this unity can be safeguarded only by unanimity on the political front. So the assault begins on the free exchange of opinion, until the day comes when political dissidence is considered synonymous with economic sabotage—only another form of military sabotage, and hence treason.

The rearing of a totalitarian political structure in the all-socialist state is not difficult. For one thing, there is already a burgeoning bureaucracy eager to take on the job—it is the last, best way to buttress its own position. Secondly, the state is already in possession of all the opinion industries of the country—the newspapers and magazines, radio networks, the cinema, theatre, and every cultural hangover of the *ancien régime*. With state control of all the channels of communication, it is absurdly easy to deny their use to persons whose views are suspect. And, finally, the state controls all the jobs—it can deny a livelihood to any citizen who succumbs to heresy. This is one of the most powerful sanctions of all.

The entire development, simple in outline, somewhat more devious in execution, is of course what occurred in the Soviet Union. In one of the most ironical historical reversals of doctrine,

the strongest totalitarianism in the world emerged from one of the most radical libertarian creeds. The doctrine promised the ultimate withering away of the state, a process of self-effacement that would be accomplished by a class of bureaucrats indistinguishable from the rank and file of proletarians—they would enjoy no greater material privileges, they would draw the same pay. Instead, the bureaucracy became a new ruling caste, the countryside abounds in commissioners' villas, the state apparatus shows no sign of vanishing in a vermilion mist.

The political straitjacket that is Soviet democracy hardly needs any analysis here. The pertinent question is: to what extent can the debacle be credited to the fundamental fact of state ownership and control of the economy, to what extent can it be explained in terms that were unique to Russia—her history, the one-party system, the nature of Communist dogma, the threat of capitalist encirclement throughout the interwar years?

Certainly, there can be no doubt that Russia's lack of democratic experience eased the transition to a new form of tyranny, made a quick shuffle of father images—Stalin for Czar—relatively simple for the mass of the people. Had Russia a literate, relatively well-educated working class and an independent, self-assured peasantry, the marriage of the totalitarian deed with the democratic slogan would have been infinitely more difficult.

Nor can there be much question that a political doctrine calling for temporary dictatorship (proletarian dictatorship was touted as democracy for the workers and dictatorship against the former exploiters) could easily become a permanent working arrangement, if the exigencies of the "objective situation" seemed to warrant such an extension. Nor is it hard to understand how the preeminence of a single party in that proletarian dictatorship could result in a dictatorship of the party over the proletarians and the dictatorship of the ruling Politburo over the rest of the party. For both governing dictatorship and party were cast in the mold of "democratic centralism," an ingenious doctrine that

elevated the center and crushed democracy. All members were duty-bound to execute orders handed down from higher "organs" to lower, and members were not allowed to air divergent views except during stated discussion periods whose occasion and frequency were decided by the party leadership. In such a setup, all power and initiative naturally gravitated to the top—and stayed there.

Russia's economic backwardness also played a part in hastening the development of a complete dictatorship—as did the never-ending fear of capitalist attack. Industrial weakness meant an assurance of continuing poverty and military ineffectuality. If capitalist attack were to be forestalled, and living standards eventually raised, the country had to be rapidly industrialized—an achievement that could most efficiently be realized, the Commissars figured, by crushing all doubters. The need of agricultural collectivization and a tier of five-year plans thus became the "objective situation" that sanctioned an ever more rigorous dictatorship.

While it would be absurd to underrate the peculiarities of the Russian situation which helped topple the country into dictatorship, it is equally true that state ownership of the entire industrial plant immeasurably aided the fall from grace. Total control of the economy was the base on which was contrived a total political control of the people of the country. Had the Soviet state lacked control of the country's labor force, lacked control of all jobs, lacked control of all opinion channels, it could hardly have established a total dictatorship. While autocracy can certainly exist in the modern state without economic collectivism, full-blown socialism provides a budding tyranny with its most powerful weapons.

Thus we speak of a totalitarian "potential" in all-out socialism. It is not a potential that, under all circumstances, will inevitably be realized. Indeed, it is possible to conceive of an all-pervasive socialism, in a country with a fervent democratic tradition and

a functioning multi-party system, which would remain democratic. But the totalitarian threat would still be there. The safest course is to banish that threat by fashioning an economic setup completely antipathetic to the spirit of totalitarianism.

#### FREEDOM THROUGH DIVERSITY

That is the logic of the Mixed Economy approach. It provides the economic underpinnings for political freedom in the modern state. By stressing economic multiplicity, it promotes political flexibility. By diffusing economic power, it safeguards freedom in every hamlet.

Under the Mixed Economy, the state does not own all the factories and farms. It cannot punish heresy by the knout of unemployment. As John Chamberlain put it in *The American Stake*: "Freedom dwells in the interstices of the . . . economic systems. If you are discarded by U. S. Steel, you may have to fight to start a small business of your own or to get on the government payroll. But you at least have a fighting chance. When a general or a kulak is discarded by the Russian party that controls *all* the means of production, it means exile or death. There must be cross-over possibilities if a nation is to keep the general atmosphere of freedom."

In a mixed system, the state cannot manipulate public opinion by the flick of a directive, for it does not own the opinion industries. Nor is it beset with a top-heavy bureaucracy eager, in the interests of its own privileges, to withdraw political freedom from the rest of the population. Nor is mixed planning of such a nature as to require that economic dissidents be exiled to Alaska. There is no economic compulsion, as in Russia from the early twenties on, to outlaw political opponents lest they wreck the country's economy.

True, in a mixed system, the state supervises the entire economy, but it does so largely by indirect methods. In indirection lies both economic and political freedom. Generally speaking, the govern-

ment is concerned with affecting the aggregate *volumes* of employment, consumption, investment, rather than with laying down precise plans, controls, and quotas. In shaping the over-all contour of the economy, it works with the law of averages for each of the components, not with the law of individual prescription. It controls levels of production by regulating the financial bloodstream—not by issuing ukases to all industries, factories, and individuals.

The Mixed Economy does not brook any species of labor control. Workers are attracted into industries where labor is short by means of bonuses and other material incentives, not by the whiplash of the state. A worker can leave his job without asking anybody's permission. Workers can strike—even in publicly owned industry—however much strikes are deplored as economic inefficiency. A strike always involves productive waste, but a Mixed Economy is flexible and capacious enough to allow for such loss. Its action in so doing is based on a rather fundamental democratic belief: a worker's economic liberty is worth whatever small measure of economic inefficiency it occasions.

It is only accurate to add, however, that some democratic socialists favor more specific controls. The British Labourites were forced to introduce a mild degree of labor direction because of a severe manpower shortage. It is also true that the flexibility of mixed economic controls partially depends on the productive health of a country. Where, as in France, an economic crisis occurs every Monday, the government has to attempt closer direction and often has to deal vigorously with strikes imperiling the national welfare, as Ramadier and Schuman and Queuille did. But these crises involve only temporary measures, which are quite mild compared to the Russian practice.

On the other hand, when the economy is clacking along at full production, it is possible that shortages may occur in some crucial areas and the government may have to slap down price controls or even material allocations. If labor is scarce, federal regulations

may be required to keep wage rates from skipping to inflationary heights. It is also possible that a few consumer items may run out and temporary rationing is not inconceivable. Operating a Mixed Economy becomes an infinitely delicate, complex matter. But all these controls are exceptional measures for exceptional circumstances; in the totalitarian economy they are almost the daily rule.

The nature of the controls in the Mixed Economy also limits the number of bureaucrats that are required—for they have fewer things to supervise than in the all-socialist state. And the character of the Mixed Economy keeps the bureaucrats from developing into a new ruling class. In a society in which one can still prosper as a capitalist, a farmer, a self-employed professional, or as a leader in cooperative enterprise, the state apparatus does not become the only channel for preferment. The bureaucracy still has to be controlled, but it is not the alarming threat that it becomes in the all-socialist state.

## CHAPTER FIVE

# PLANS GALORE

**I**N DIVERSITY lies the freedom of the Mixed Economy. All the writers who have explored the subject have indicated the multiplicity of economic organization that is possible. Often they differ on the details of that organization, or on the areas where they place their major emphasis, but many of these disagreements are only of technical significance. Their resolution can safely be left to the pragmatic test.

Professor Alvin Hansen of Harvard is perhaps the ablest representative of that school of mixed-economists who fashion a plausible program without more than a noncommittal nod in the direction of nationalization. (Chester Bowles and Stuart Chase present similar programs.) Hansen is not opposed to nationalization in principle, but, on the other hand, he does not call for any sizable expansion of public ownership in the United States. Instead, he wants to smooth out the business cycle, lift the stabilized economy to ever-higher levels of production by astute use of the spending and taxing powers of the federal government. He starts by stressing the need for adequate outlays by consumers, private business, and government—in order to clear the market of the plethora of goods available at full production. He thinks the volume of private consumption can be generously boosted by increasing social security measures and by revamping the tax rate—"A broad and comprehensive system of social security and social welfare, combined with a progressive tax structure, acts steadily and

continuously as a powerful stabilising factor. It puts a floor under depression. It acts as a great irrigation system, distributing purchasing power widely over the entire country. Now that we have current collection at the source, cyclical variation in the standard income-tax rate can, I believe, serve as a useful and effective supplementary measure."

Hansen leans heaviest, however, on variations in government spending to fill any gap between the aggregate outlay that is necessary and the sums that consumers, private business, and the normal services of government can be expected to lay on the counter. But his is not government spending just to get more money flushing through the citizens' pockets. Rather, he wants to stabilize the construction industry, throw billions into government building—at a varying rate to compensate for the fluctuations in private construction. When private building would decline, public building would increase. He has in mind a huge housing and urban construction program, renovation of transportation, development of regional water and land resources. He looks upon these measures—financed by government, undertaken by private industry—as the great balance wheel of the economy.

Sir William Beveridge, whose *Full Employment in a Free Society* is one of the epochal works in the field, differs on one major point with Hansen and goes beyond him on several others. He too starts with the need for guaranteeing adequate outlays—he calls it "socializing demand"—but he does not believe that public works should be used as a gap-filler; they should, rather, be used to eliminate "giant social evils."

He has many objections, of which one of the most important is his feeling that public investment—in schools and hospitals, public utilities and houses—cannot reasonably be turned on and off like a spigot, because the demand for these projects "is intimately linked with the general economic activity of the nation. If private enterprise erects a new factory in some part of the country, public enterprise must follow suit and create the social capital required

by those who are to work in that factory. It is not practicable to build factories one year and to postpone to a later year, when there might be a stamp in private investment, the provision of houses for the workers, schools for their children, hospitals, civic centres and other communal services." Then, too, while gap-filling investment would have a stabilizing effect on the business cycle, it would not raise the entire productive level high enough.

Instead, Beveridge proposes a concerted, all-out drive, led by government, to increase all forms of outlay. He sees this effort taking place in five areas of the economy: (1) community outlays on roads, schools, hospitals, and other "non-marketable goods and services"; (2) public investment in socialized industries—monopolies taken over by the government as well as other industries like coal and steel; (3) private consumption, which would be increased, as in Hansen's scheme, "through social security measures and progressive taxation"; (4) joint consumption outlays, an unusual scheme whereby the state acts as wholesaler for certain basic consumer goods—food and fuel to start with—and resells them through the normal retail channels to the ultimate buyer, perhaps at a lower price made possible by a subsidy. "This method of joint outlay combines the advantages of social guidance of outlay with consumers' freedom. It is also a valuable method of controlling prices and monopoly profits."<sup>6</sup> Finally, (5) there is the area of private business investment, which under Beveridge's scheme would be supervised by a National Investment Board exercising broad powers.

Beveridge's novel proposals are his plans for joint outlays and a National Investment Board. These schemes, plus the sizable role played by his socialized sector, provide for much more direct government control than is the case with many other Mixed Economy plans.

\* Reprinted from *Full Employment in a Free Society* by William H. Beveridge, by permission of W. W. Norton & Company, Inc. Copyright 1945 by the publishers.

John Strachey—in his volume *Programme for Progress*, published in this country in 1940—was one of the first writers to propose a plan containing most of the elements now part of the pluralist approach: large expansion in public investment, income redistribution through taxation, increase of purchasing power through expanded social welfare benefits, etc. Strachey plumped particularly hard for lowering the interest rate, in order to make private investment more attractive and public investment easier to accomplish (less interest means lower service charges on the national debt). In order to batter down interest, Strachey argued the decisive importance of nationalizing the banks—otherwise the whole program would depend on the cooperation of the financiers. He had particular reference to Great Britain. Similarly, he emphasized the need for government control over foreign payments, lest political opponents, by spiriting capital out of the country, kill off the expansionist effort. Strachey's entire program, of course, has already been realized by the ruling Labour Party. But he considered it applicable to the United States as well.

John Chamberlain, whose lively book, *The American Stake*, was one of the first, in 1940, to popularize the political case for the Mixed Economy, discerns five parallel economic systems already in existence—small-scale individual ownership, giant corporations, public utilities, "government collectivisms" like the postal system and TVA, and "private collectivisms"—universities, cooperatives, etc. He sets forth an eclectic, hard-headed program of economic management. In order to curb monopoly price-fixing, he wants the government to have a say in the pricing policies of large corporations; he favors extension of cooperatives, thinks a sizable expansion of small-scale ownership is possible; and he stresses the importance of government collectivisms being locally administered. He does not, however, make any specific suggestions for expansion in this area. The one obvious criticism that can be leveled at Chamberlain's scheme is that it does not seem dynamic enough to ward off depression. He does call for a new "prime mover"—a

new industry or development to energize the whole economy—but he is not very detailed in his prescription.

When Lewis Corey writes his ticket for the abundant society in his volume, *The Unfinished Task*, he elaborates one idea that gives promise of wide adoption: the use of autonomous public corporations—several competing ones in an industry—to replace privately owned monopolies. Modeled on the TVA, Corey's corporations would be even more independent, with their directors appointed not by government but by the different functional groups—managers predominantly, workers, and consumers. Corey wants a type of public ownership that is not governmental. He is equally opposed to government control of most of his corporations. Their independence, he believes, is a necessary safeguard of freedom in a world driving towards the merger of political and economic power.

In Corey's economic diagnosis, monopolies are the virus that infect the entire economy; remove them—by public ownership—restore truly competitive conditions in the market, and the current maldistribution of income, the growing gap between savings and investments, would disappear. He considers public corporations a much better specific than government spending for public works, for he believes that the latter task has the government endlessly adjusting the imbalance created by the monopolies. He fails to discuss the two methods as elements of one well-rounded plan.

Corey's scheme involves more than merely breaking the back of monopoly, restoring the pristine conditions of the market, and then letting nature take its course: he does see the need for partial, specific planning, but is against any over-all blueprinting of the economy. That way, he continually warns, lies tyranny. Corey goes much further than most writers on the Mixed Economy in his abhorrence of government controls.

Mordecai Ezekiel, in his book *Jobs For All*, trod a different path in Mixed Economy theorizing: each year all key industries, and all concerns within these industries, would draw up places for in-

creased production and employment. The plans would be checked against each other, to insure that all units' supply and demand situations would be equated at the expanded level. Then the government would contract to buy, at a discount, any part of the productive output which could not be sold during the forthcoming year. This would give businessmen the assurance they needed to expand.

At the same time, the nation "will incur little risk in having the government underwrite the expansion in production, for the programs will be so drawn and fitted together that the increase in production in each industry will just about match the increase in demand for the products of that industry." The industry authorities which would draw up the plans would have representatives of employers, labor unions, consumers, and government. Presumably the government would wield ultimate control in these bodies, although Ezekiel does not say so explicitly. It would seem also that some sort of top-planning agency would be necessary to decide policy conflicts, but Ezekiel fails to go into this aspect. The lack of central direction appears to be an obvious defect of the plan, as does the likelihood of underwriting a great many inefficient producers.

There are plenty of Mixed Economy plans. All of them indicate the variety of economic instruments, controls, strategies possible in a pluralist setup. Buttressed by these detailed, closely argued programs, the case for the Mixed Economy becomes no airy speculation but a matter of bedrock practicality.

PART TWO

CHART OF  
PAST FAILURES



## CHAPTER SIX

### THE EUROPEAN DEBACLE

THE campaign for the Mixed Economy, however, is one which liberals can easily lose. Certainly, the history of European progressive movements in the interwar years—the only previous time the leftists were within reach of their goals—deprives us of vaulting optimism. But perhaps the chart of past failures can be a partial guide to future success. In any case, it would be foolhardy for American liberals to ignore the chronicle of European disaster.

In Europe, in the years between the wars, Socialist and allied movements attained maturity, power, and the near-grasp of their ultimate objectives—and then proceeded to squander their opportunities, surrender their positions, and, in the end, succumb to reaction. They failed, in great part, because they consistently underestimated their opponents. They were forever being hoodwinked, outmaneuvered, and outflanked. Too many leading Socialists had a naive faith in the decency and sportsmanship of the opposition. They seldom doubted that the "ruling class" would abide by the results of the ballot, would acquiesce in the legal withering away of their wealth and privileges. Thus, when the leftist parties got into office, they were usually unprepared for the obstacles—economic, political, military—that soon confronted them. Being unprepared, they were often ineffectual. And when the conflict rose to a pitch, the left-wingers always lost.

In Germany, Austria, and Spain reaction went all the way—the

economic and political offensive against the left culminated in a fascist assault on the democratic state. In England and France, economic sabotage and political demagogery were sufficient to unseat the "Reds." But in one significant sense the story was the same in all five countries: the left lost largely because of a basic innocence about the realities of political power.

In Germany, the blunders of the left began almost the moment it came to power. After the revolution of 1918, the Social Democrats dominated the government. They were in a position to enforce thoroughgoing social and economic reforms. But apart from setting up the structure of the democratic republic, the Socialists, as slow-moving as they were timid, left the old regime virtually intact. Not only did they shy away from such reforms as nationalizing the coal mines and breaking up the large estates, but they failed to democratize the army, renovate the state bureaucracy, clean up the judiciary. They left the monarchists, the extremist nationalists, the stand-patters, and reactionaries in control of their old bastions. The state machinery got a new name and a new face, but all the old operators were left at their posts. The new German republic was being interred in the first months of its birth.

Having failed to create a democratic army, it was not long before the provisional government fell back upon the minions of the old regime to preserve law and order. In January, 1919, a revolt broke out in Berlin, led by the left-wing Spartacus organization. The government was not endangered, but it was seriously embarrassed. To its rescue came the reactionary Free Corps, staffed by former imperial army officers. They crushed the rebels, and shortly afterwards murdered the two outstanding leaders of the German left, Rosa Luxemburg and Karl Liebknecht, a political crime that shocked the world. The Free Corps emerged from the scrap with new prestige and power. It became a haven for uprooted reactionaries casting about for a new cause.

A year later, in March, 1920, the government paid the price of its military naïveté. The Reichswehr, which it had failed to purge,

revolted against the new regime. Leader of the *putsch* was an extreme nationalist named Wolfgang Kapp. For a short while, it looked as if the revolt might succeed. Kapp's troops marched into Berlin. The government, bereft of any military support, hastened to Stuttgart. It was rescued by a nationwide general strike, supported by all elements in the labor movement. After a few days, the counterrevolution flickered out. Kapp had moved too quickly, with too little support from his own people. Once again the left was in control of the country.

And once again it frittered away its opportunity. The economic and social reforms promised by the original manifestoes failed to materialize. As for the army and the state bureaucracy, the right-wing Socialists were content to leave sleeping dogs lie. The trouble, of course, was that the dogs were sleeping with one eye cocked at their unwary masters, waiting for the moment to spring at their throats.

It was hardly necessary. After two years of confusion and ineptitude, the Socialist government forfeited enough support to lose office. In the election of June, 1920, the right-wing Majority Socialists lost heavily to the Independent Socialists on their left. The Catholic Center Party took over leadership of the cabinet. The Social Democratic Party was nominally in opposition.

It took eight years before the Socialists had another chance. Meantime the country was stabilized, economic conditions improved considerably, the extreme right-wing groups were reduced to no more than an academic threat. In 1928, the Socialists won nine million votes at the polls, an increase of three million over their showing four years before. The Socialist Hermann Muller became Chancellor; the new government bloc in the Reichstag included Socialists, centrists, big business representatives. With such a disparate group, agreement on domestic policy was not easy; on the other hand, so long as prosperity continued, conciliation could temper the rigors of the class struggle—there was margin enough for both bigger payrolls and bigger profits.

When the depression hit, the governmental honeymoon came to an end. As businesses failed and unemployment spread, the drop in tax revenue unbalanced the government's budget. Unemployment insurance benefits became a severe strain on the exchequer. A crucial conflict arose on cutting those benefits. The Socialists, leaders of the government coalition, staked their stand on the narrow front of defending the immediate economic interests of the working class. It was a fight doomed to defeat, for the Socialists had no program for curbing the depression—and that was the only lasting solution.

In long-range terms, they believed in socialism as the cure for capitalist depression; in short-range terms, while a depression was on and while there was obviously no chance of instituting socialism, they believed in *laissez-faire* as much as the capitalists. The Socialists were as paralyzed as Mr. Hoover. It is true, of course, that the fiscal mechanisms associated with the "Keynesian Revolution" were virtually unknown in 1929. But the Socialist leadership made no effort to experiment, to improvise, to try any of the plans freely offered by economists both in and outside the movement. There was none of the uninhibited, trial-and-error plunging that distinguished the American New Deal a few years later and that finally resulted in a cure, however short-range and patchy.

The German Socialists were prisoners both of their Marxist orthodoxy and their frightening complacency. They saw their job as to hang on until the depression ran its course, like all past depressions, after which they would resume the slow, gradual, piecemeal conquest of electoral posts until they were finally in undisputed control of the government and in a position to introduce socialism. The fact that in the meantime wages were slashed, unemployment increased, hunger again stalked the streets, was both deplorable and a glaring refutation of the pretensions of capitalism. It was an unanswerable argument for socialism. It was everything but a prod to action in the here and now.

In their complacency, the Socialist leaders gravely underestimated the agility and resourcefulness of their opposition. They

failed to see, until too late, that both the respectable conservatives and the Nazis would pick up support which the Socialists forfeited through inertia. Had they lacked faith that the erstwhile "class enemy" would abide by the procedural rules of the democratic state, they might have been spurred to effective action. But the Socialists made the catastrophic mistake of ascribing their own morality to their opponents.

And now the Socialists' grip was slipping. First Rudolph Hilferding, finance minister in the Müller cabinet, was forced out by Reichsbank president Hjalmar Schacht. The bankers were on the offensive. Schacht laid down an ultimatum that had to be fulfilled before the bank would help the government meet its debts; Hilferding resigned. Müller lingered on as Chancellor a little while longer, but in March, 1930, his government finally fell on the unemployment insurance issue. And in September of that year the Nazis polled 6,500,000 votes, as against 800,000 in May, 1928.

The policies of both the Communists and Socialists thenceforth ran interference for the Nazi breakthrough. The Communists saw the depression as a superb opportunity to multiply the ranks of their supporters and to embarrass the Socialists. They did not worry much about the Nazis. They directed their bitterest assaults at the Social Democrats—inevitably characterized as "social fascists"—and, like the Nazis, they fashioned their strategy with a view to disrupting the precarious equilibrium of the democratic republic. Thus, the policy of the Communists made impossible that type of united working class combine that might have forestalled the fascist triumph—the sort of Popular Front which they favored a few years later and which held French fascism at bay until the outbreak of the war. As for the Socialists, they persisted in their passive policy of trying to outwit the depression. Now that they were out of the government, they supported Chancellor Brüning, fearing that his demise would mean a Nazi rise to power and the crushing of all democratic liberties. But the Socialists still had nothing constructive to offer.

Their passivity—while the Nazi threat became ever more

ominous—knew no limits. The Socialists and their allies controlled the government of Prussia; it was their last stronghold; they would defend it resolutely, so everybody thought. And their defenses were strong. The police was Republican and anti-Nazi; a private defense force under Socialist and democratic leadership—the Reichsbanner—was in existence. But when Chancellor von Papen, who succeeded Bruening, removed the democratically elected government of Prussia in July, 1932, the Socialist and labor forces accepted the *fait accompli*. They had the arms and the men to resist, but they feared defeat by the Nazis and the Reichswehr, which by this time had been thoroughly cleansed of any Republican allegiance. (The Socialist blunders of 1918 had again risen to plague them.) So, fearing defeat, the Socialists did nothing. Both leaders and rank and file, demoralized by successive retreats, would not even try to retrieve the situation by a desperate, last-minute military bid.

And they were similarly lethargic when the Nazis took over in January, 1933.

In the early days of the Republic the Socialists had underrated the fascist threat; they had taken little precautions against a counterrevolutionary thrust; they had placed their faith in the legalities of a constitution. Unwittingly, they were committing slow suicide. From 1930 on, the Socialists certainly feared the Nazis. But fear meant paralysis rather than action. The Socialists were prisoners of tradition, of ingrained habits of thought, of political inhibitions that could not be shaken off. And perhaps the Socialists did not see the Nazi threat as vividly as hindsight later made possible. Even the Communists, certainly more tough-minded than the Socialists, used to proclaim: "After the Nazis, us." Whatever the precise explanation, in January, 1933, the strongest free labor movement in the world went down to defeat without a hand being raised in its defense.

The Austrian Socialists, who collapsed in February, 1934, put up a much better show than the Germans—their heroic stand in

Vienna cheered a dispirited labor movement throughout the world, but it was doomed from the outset. Although more realistic than their German brethren, more vigorous and aggressive, the Austrians, too, were guilty of a series of strategic blunders that resulted from a basic miscalculation of their opposition. They simply could not conceive the lengths to which reaction would go to crush the slightest threat to its prerogatives.

The Socialists had a major role in the overturn of the Hapsburg dynasty. Although they did not secure the predominant position which fell to the German party, they were able to exact far-reaching reforms. A liberal Republican government was set up, the army was democratized, the educational system refurbished, and various progressive measures adopted. But, as in Germany, the democratic housecleaning hardly went far enough to insure the safety of the new state. Too many adherents of the old regime were allowed to remain in their jobs. They were required to pledge allegiance to the new government—not a difficult exertion under the circumstances—but for the rest they were left serenely alone, and before long they busied themselves working for the downfall of their new democratic masters.

The Austrian Socialists, however, did recognize the reactionary danger. They cached away arms against the day that the workers might have to defend themselves; they trained a well-disciplined private defense corps—the Schutzbund. Their defensive policy was broadcast in the famous speech of Otto Bauer, the renowned leader of the party, delivered at Linz on October 31, 1926. Bauer stoutly declared that the workers foresaw the possibility of a fascist counterrevolution; he vowed that they could be counted on to fight if the time ever came. No temporizing, no illusion-mongering here. And yet, every time the conflict rose to a pitch, the Socialists were found wanting. There were always reasons to hesitate, to retreat strategically, it was never the right time to stand and fight—until it was too late to win. Indeed, we can surmise that the Socialists did not fully believe their own warnings. As against their obvious strength—the strongest Socialist Party in Europe, on a per capita

basis; 42 per cent of the vote throughout the country; well-entrenched control of the capital city; a united and self-assured labor movement—any immediate threat from the right never seemed as grave as it might be, and there was always refuge in the hope that time might see a lessening of the crisis.

The first decisive clash in the battle for Austrian democracy occurred in Vienna, on "Bloody Friday," July 15, 1927. The Vienna fray had its origin in a previous ruckus in the town of Schattendorf. The fascists had ambushed a socialist parade, killed two persons. The culprits, brought to trial, were readily acquitted by a jury—a scandalous example of "class justice," the Socialists thought. They were particularly outraged because the Schattendorf case climaxed a series of political shootings for which the fascist gunmen had not been convicted. The day after the acquittal, tens of thousands of workers massed in the heart of Vienna, to voice their protests. It was a spontaneous demonstration, not organized by the Socialist Party or trade unions. All might have proceeded peacefully, but the mounted police went berserk, rode down the crowd. Enraged, the mob broke through the police lines, set fire to the Palace of Justice. Shortly thereafter, the cops began to fire into the unarmed throng. Dozens were killed. The demonstrators massed before Socialist headquarters, demanding arms for self-defense. The Socialist leaders refused, but called a protest general strike. Despite police butchery, fascist provocation, and judicial treachery, the leaders felt that the time was inopportune for the workers to defend their liberties by force of arms. It was a time, however, when there was a united and aroused working class ready to take the plunge—and when the workers might have won. Never again did they have so good an opportunity.

After July 15, 1927, fascist provocation increased in extent and frequency. The fascists had what almost amounted to carte blanche to shoot left-wing workers without fear of police reprisal—the Socialists had reason now to regret their lack of vigilance in clearing reactionaries out of government office. Meantime, recruiting

for the fascist army, the Heimwehr, was stepped up; Prince Starhemberg and its other leaders received the ill-concealed support of Chancellor Seipel. The private militia of the fascists and the Socialists frequently mounted impressive street demonstrations, in an effort to cow each other. The country seemed to be edging close to the abyss of civil war. In the elections of 1930, however, the fascists suffered an overwhelming defeat and the security of the Republic once again was assured.

Only for a time; 1931 saw an abortive fascist coup, led by the Styrian Heimwehr leader, Pfriemer. For once, the Socialists were vigilant. Pfriemer's revolt was a one-day affair and it had certain comic-opera trappings; yet it might have succeeded had the workers not acted in time. The Heimwehr opened its secret arms caches, shouldered its guns, and took over some public buildings. Pfriemer proclaimed himself dictator, appealed to all the forces of the right to revolt against the Vienna government. Immediately, the Socialist Mayor of Bruck-an-der-Mur spurred the workers to oppose the usurper. Socialist resistance was finally seconded by the government; other branches of the Heimwehr did not follow Pfriemer's lead; and the revolt was at an end. Neither Pfriemer nor the various government employees implicated in the revolt were punished.

In 1933, however, the Socialists were caught off-balance, and they made a strategic error of catastrophic proportions.

Ever since the 1930 elections, the government coalition had ruled on the basis of a one-vote majority in parliament. Pressed by both the Socialists, the largest party in the chamber, and by the Nazis, Chancellor Engelbert Dollfuss was in a distinctly precarious position. Had he compromised with the Socialists, who at this point wanted little more than the safeguarding of Republican institutions, he could easily have held off the Nazis. Instead he chose to eliminate the Socialists. He was digging the grave of the Austrian nation as well as of Austrian democracy. But what interested him was the possibility—once the Socialists were out of the

way—of establishing his own brand of Catholic corporate state.

Dollfuss' opening gambit came in March, 1933. Making use of an absurd technicality, he declared that parliament could not be convened. The Socialists replied with vigorous assurances that they would resist Dollfuss' unconstitutional dictation. Upon the order of one of the parliamentary vice-presidents, parliament was scheduled to meet on March 15. Dollfuss sent police to break up the gathering. The parliamentarians foxed the Chancellor by convening the meeting ahead of time—and adjourning it before the police could arrive. So, technically, they had won their point. But Dollfuss never again allowed parliament to meet.

According to all their militant avowals, March 15 should have been the date for the Socialists to take up arms in defense of the Republic. There was no doubt that they were now confronting the counterrevolution. But the Socialist leaders temporized, kept waiting and hoping for a change of heart on Dollfuss' part. They rationalized their inaction by pointing to the Nazi threat. If they resisted Dollfuss, they feared the Nazis would take over. A year later, they saw no alternative but to resist. By that time, Dollfuss had so effectively undermined their position that they had little chance of victory.

Ruling by decree, Dollfuss methodically chipped away at the Socialist bastions. He used the police power against militant workers, whittled down the prerogatives of "Red Vienna." And, leaving no doubt as to his ultimate intentions, he publicized his scheme for a corporate state.

For months the Socialist leaders could see what was coming. It was apparent that Dollfuss was planning the complete extinction of the Socialist Party, press, trade unions, municipal organization. According to G.E.R. Gedye, some four weeks before the fateful days of February, 1934, the Socialists considered striking first—while they could still choose the time of battle. In his book, *Betrayal in Central Europe*, Gedye reports an interview with the Socialist editor, Oscar Pollak, in which Pollak told him of the

possibility of the Socialists taking the offensive. But, in the end, they held back, not wanting to provoke bloodshed and fearing a bad press abroad. And so it was that in February, when the fighting came, the Socialists had to operate on the enemy's timetable, and they were outmaneuvered from the start. They got a good foreign press—and they lost the battle.

Events moved quickly. The Heimwehr marched into the provincial capitals, demanding the outlawing of the Socialist Party and other fascist measures. In Linz, police went through Socialist headquarters, looking for arms. Fighting broke out as the workers refused to disgorge their stocks. Shortly thereafter, the long-planned general strike began in Vienna. The Schutzbund holed up in the municipal apartment houses, and the fight was on.

It went badly from the outset. A number of key Schutzbund men had been denounced to the police. As a consequence, many of the arms caches could not be found. The printing presses were not operating—hence no strike proclamations were printed. More important, the whole military strategy of the Socialists was defensive. They made no effort to capture the railroads, communications networks, radio stations; they did not carry the fight to the enemy. Nor was any effort made to involve the mass of the workers. The Schutzbund was to do the fighting, but they were few in number. They fought heroically, but there was no chance of their winning. In the end, it was obvious that the military blunders of the Socialists were the inevitable corollaries of their long series of political miscalculations. The Socialists were really not prepared to fight—because they always believed they could somehow avoid a fight. Despite their vaunted militance, they had never taken the proper measure of their opponents. They had minimized a danger that could not be exaggerated.

After the German and Austrian debacles came the Spanish. Now, more than a decade later, it is still difficult to understand why the Popular Front government did not crush the fascist plot

long before it reached the point of a military uprising. From the outset, the government manifested a complacency and an inaction that were fatal. Its motives may have been inexplicable; the facts themselves are clear.

The Popular Front slate of candidates won a decisive victory in the election of February 16, 1936, capturing about sixty per cent of the seats in parliament. In the entire Popular Front bloc, the Republicans had the largest number of deputies; among the working class parties, the Socialist was the largest. The Communists were very weak, electing a handful of members. There was nothing, in the composition of the legislature—or of the new cabinet, consisting exclusively of Republicans—which gave reason for the slightest tremor that Spain was going Communist, as the fascists continually charged.

Nor was there anything in the Popular Front program more radical than the basic reforms normally associated with the "bourgeois democratic revolution." The platform on which the Popular Front campaigned included such planks as the reestablishment of the Republican institutions set up in 1931, creation of an independent judiciary, amnesty for political prisoners, agrarian and educational reform, protection for small businessmen, assorted public works projects.

Despite the mildness of the Popular Front program, there was every reason to believe that its restraint would be overlooked by the reactionaries—who viewed the slightest threat to their privileges as equivalent to imminent homicide. After the glorious exuberance of the 1931 revolution, Spain had seen a rapid counter-revolutionary comeback, unrepentant, obscurantist, and savagely vindictive. Just on the basis of past experience, the fascists could be expected to repeat the maneuver at the first opportunity: And yet the new government seemed marvelously untroubled.

On every hand, signs abounded of the coming revolt. Resistance to the new regime first took the form of economic sabotage. Businessmen showed a sudden reluctance to make new investments

—conditions were too unsettled. Large landowners cut down their acreage under cultivation. More important, huge quantities of capital were exported from the country. Every effort was made to weaken the peseta.

Even more alarming portents of crisis were visible—the rash of street riots and political murders. The day after the elections, members of the fascist Phalange fired on a left-wing demonstration in Madrid. In March, the Socialist parliamentarian, Luis Jiminez de Asua, narrowly escaped assassination; his bodyguard was killed. Shortly afterward the Socialist leader, Largo Caballero, had a similar brush with death. In April, Magistrate Manuel Pedregal was murdered. He had made the mistake of sitting at the trial of the fascists who tried to assassinate de Asua.

Meantime, evidence increased of fascist plotting. Entertaining justifiable suspicion of their loyalty, the government removed a number of right-wing generals from Spain and shipped them to military posts outside the country. Among them was the future leader of the rebellion, General Francisco Franco. But why were the generals not retired instead? For so long as the government allowed fascist-minded officers to command tens of thousands of troops, it was holding a gun to its head.

The government's complacency was remarkable. It had reason, for instance, to suspect the loyalty of the military garrison of Pamplona, commanded by General Mola, who later figured prominently in the rebellion. Madrid had Mola's command investigated. The report was distinctly unfavorable. Yet Mola was not removed. In May, there was a mutiny at the Alcala de Henares barracks near Madrid, after orders arrived to transfer two regiments to other parts of the country. The rebellion was brought under control, the culprits were arrested. But the government took no further security measures.

From February to July, the fascists repaired their political fences, strengthened their liaisons with the Italian and German governments, carefully planned their rebellion with the leaders

of the army. Also in on the plot were the powerful organization of retired officers, Civil Guard officials, government bureaucrats of high and low rank. The country seethed with rumors of revolt, none of which did the government take seriously. Nor did it make any appreciable effort to purge the police and government agencies of disloyal elements.

And so it was that when the military revolt finally broke out, in Morocco on July 18, the government was caught completely unprepared. Not until the rebellion spread throughout Spain, as a matter of fact, did it become alarmed. Thereafter the Popular Front forces put up a struggle that amazed the world. It was a struggle that—but for the “nonintervention” of the democratic nations—doubtless would have triumphed. But it was also a struggle that was tragically unnecessary, that could have been avoided by the exercise of the most elementary political realism in the months when the Republican government had undisputed control of the country.

The mistakes of the British Labour Party in the interwar years were similar in kind—though, fortunately, not in their effects—to those of left-wing parties in Germany, Austria, and Spain. Indeed, the miscalculation of the obstacles blocking the Socialist movement, the misreading of the motives and responses of the opposition, the underestimation of its strength, daring, and resiliency were probably greater in England than on the continent. For the British brand of Socialism was Fabian rather than Marxist in derivation; it was milder, more gradualist, more accommodating than even the “revisionist” Marxism popular on the continent. The Fabians not only believed that the capitalists would acquiesce in the socialist transformation of the economy, once the Socialists won electoral power; they considered it highly probable that many capitalists could be persuaded of the virtues of socialism. Moral exhortation, plus a factual demonstration of the undeniable inefficiencies and inequities of capitalism, were expected to triumph

over a material stake in the status quo. Both the theory and the too-evident fact of class struggle were eschewed.

The Fabians not only thought they could win socialism through their undeniable powers of persuasion; they also considered their triumph inevitable. John Strachey, in his book *What Are We To Do?* speaks of a "double inevitability" in the expectations of the Fabians: "It was inevitable that the capitalist system should go on developing and expanding as it had done throughout the nineteenth century. Thus it would provide a stable and effective basis for securing a long series of reforms and concessions to the working class. Secondly it was inevitable that on this basis the labour movement would just grow and grow until it dominated the political scene. Then, of course, it would proceed, slowly but surely, to socialize industry. The idea that something might be happening to capitalism which would impel the capitalists to interrupt the course of this double inevitability never occurred to anyone."

The optimistic assumptions of the Fabians achieved great popularity in the first three decades of the century. After the debacle of the second Labour government in 1931, and after the rise of Hitlerism, these assumptions fell into disfavor; but by that time the naiveté with which the Fabians endowed the labor movement had led it into a long series of blunders and miscalculations. Too trusting of the frankness, probity, and gentlemanly conduct of the opposition, the Socialists continually lost out on the crucial tests. Indeed, on only one important occasion in its interwar history did the labor movement succeed with a militantly independent line. That occurred in 1920, when the British government contemplated sending troops to aid Poland in its military struggle with Soviet Russia. A nationwide Council of Action, supplemented by local groups, was formed to fight the move. A tremendous propaganda campaign was organized. The trade unions threatened a general strike—a political strike against intervention. Labor won public opinion to its view, the conflict grew tense—sober commentators

even spoke of a "revolutionary situation"—and the government was forced to retreat.

Apart from this campaign, labor's strategy was hardly characterized by realism or tough-mindedness. In 1919, for example, the leaders of the mine workers were in a position to secure decisive advantages for their members and perhaps the nationalization of the chaotic coal industry if they followed through with a threatened strike. But the government dissuaded them by creating an investigatory commission and promising to abide by its recommendations. In due course, the Sankey Commission advised virtual nationalization of the mines—and then the government welched on its agreement. But by this time, the miners, bitter and disillusioned, were in no position to enforce their demands. One of the rare opportunities of history had been lost. It took another twenty-seven years before the mines were finally nationalized.

The year 1924 saw the first Labour government in Great Britain, with Ramsay MacDonald, the well-publicized pacifist of World War I, as Prime Minister. But it was a minority government—labor shared power with the Liberal Party, and as a consequence of this partnership could hardly be expected to proceed with its program of full-blown socialism. MacDonald's government passed certain useful, if minor, measures of social reform, but its tenure of office was very brief. On a comparatively trifling issue, the Liberal Party members voted against the government, MacDonald dissolved the House of Commons and took labor's case to the country. And then occurred another of those historic instances in which the labor leadership allowed itself to be outmaneuvered by its more agile and audacious Tory opposition. A few days before the election, the Tory press blossomed forth with the famous "Zinoviev letter"—a document allegedly sent by the head of the Communist International to the British Communist Party. The letter, uncovered by the British intelligence service and transmitted to the foreign office, was a forgery, but the conservative press sold it as the genuine article to millions of voters. It was immediately

clear that the resulting nationwide fear of Red plotting might throw the election to the Conservatives. Daring and imaginative leadership was needed to retrieve the situation. But Ramsay MacDonald temporized, hedged, did nothing effective. Apparently, he did not want to denounce officials in his own foreign office. The Tory propaganda onslaught overwhelmed the labor campaigners. In the election Labour lost heavily, the Liberals were decimated, and the Conservatives emerged with an absolute majority. Labor had flubbed its first decisive opportunity.

The general strike of 1926 was an even more significant defeat. Once again, a timorous, indecisive leadership collapsed before a determined opposition whose power and resourcefulness had been underestimated. The general strike was a sympathetic action to aid the mine workers, who were desperately striving to stave off a threatened wage cut. The dispute first came to a head in 1925. The miners won this contest without a strike, with the government agreeing to pay a subsidy to the mines so they would not have to cut wages and at the same time appointing a Royal Commission to inquire into the whole matter. While the investigation was proceeding, the government made extensive preparations to deal with a general strike. Plans were readied to handle transport, food supplies, power, and sundry other necessities; the government mapped a strategy for emergency police and military action. The Tories were taking no chances. For their part, the trade unions hoped that things would not come to such an unhappy pass. They hoped for the best and neglected to plan for the worst. The Royal Commission recommended a wage cut. The miners refused to accept it. Negotiations proceeded. When the government suddenly broke them off, the unions were on the whole unprepared for the general strike they had long discussed.

The strike call, however, was enthusiastically received, the shutdown was more thorough than had been anticipated. But the strike leaders found themselves in a box. They were unprepared for the thunder of government propaganda broadcast over the radio and

headlined in the official newspaper. The government considered the strike a prelude to revolution, an attempt to throw the country into a soviet form of government. With the sovereignty of the state at issue, the Conservatives were in no mood to compromise. The strike leaders, hardly militant, aggressive types, had not the slightest desire to provoke a revolutionary crisis, but on the other hand they lacked the stamina to outwit the government and gain at least a portion of their demands. The defiant, blustering mood of the government, plus their effective handling of such details as transportation and food distribution, caused the labor leaders to give in. After nine days, the strike was over.

Some historians believe that the strike was foredoomed to failure. G. D. H. Cole, in his book *A Short History of the British Working-class Movement*, writes: "From the first the strikers' only real chance of success lay in frightening the Government into surrender or persuading it into compromise. The temper of the Government throughout the dispute excluded the latter solution, which the strike leaders would, of course, have welcomed. The struggle therefore became one of *morale*--it was a question of the side that would crumble up first. But, with Winston Churchill in command and thoroughly enjoying the 'scrap,' the Government was not likely to crumble up.... All things considered, the strikers had from the first little real chance of winning. Their only chance lay in the emergence of a peace movement so strong as to overthrow Churchill's command of the situation. But this could hardly develop in face of the shutting down of the ordinary means of publicity."

"The strike leaders, meanwhile, were in a vastly complicated state of panic. They were afraid of their own followers--afraid at the same moment that they would drift back to work and that they would get out of hand and imitate Churchill by giving the strike a revolutionary turn. They were afraid of the Government and afraid of themselves, afraid to lead and afraid to admit failure."

If this analysis is accepted, then it was a mistake ever to call a general strike. In sum, whether the strike had a chance of success or not, the strike leaders were unprepared for the government's offensive. They regarded the walkout as an extension of a normal strike, which would be met by the government and the employers in the normal fashion. They grossly misread the government's motives and predictable responses; it was unthinkable to them that the Tories would use the strike as justification for an all-out assault on the labor movement. And this is precisely what happened—both during and after the strike. The miners eventually had to accept a much poorer settlement than the one originally offered them. Parliament passed severely vindictive legislation outlawing future sympathy strikes, limiting trade union contributions to the Labour Party, curbing the union activity of government employees, and otherwise seriously restricting the unions. Labor had sustained its greatest defeat in twenty years.

Despite the losses suffered by the trade union movement, the Labour Party's appeal to the electorate kept growing and in 1929 the second Labour government assumed office. Again Ramsay MacDonald was Prime Minister and again it was a minority government, dependent for its tenure on the Liberals' votes. Apart from some mild social reforms, the Labour government succeeded in doing little but disillusioning its followers by the time it expired in 1931. The government was destroyed by the same policy of *drift* in economic affairs that became the consummate mistake of the German Socialists. The cabinet lacked a policy to deal with capitalist depression; it lacked enough sense of the urgency of the situation to cause it to improvise an effective policy; it underestimated the desperation of the country's plight; and it underestimated the dire consequences to the Labour Party if it was unable to put people to work even under the inauspicious conditions of capitalism. If it failed in this task, the Party would never have a chance to move on to socialism.

Many Socialists urged government spending for public works.

But such a policy was impossible so long as the government insisted on the current gold parity of the pound, and so long as it strove to balance the budget. An increase in export trade was equally desirable, but, far from increasing, exports kept falling, because British pounds were so dear. Devaluation was necessary both to stop the fall in exports and to embark on a huge public works program. But the government, nominally Socialist in long-range goals, was rigidly conservative when it came to immediate fiscal policy. The budget and the gold standard received the same reverence from Labour chieftains as from Tories. Dedication to these ideals inevitably meant a policy of deflation—the principal item, so far as the government was concerned, being a cut in unemployment insurance benefits.

Most of MacDonald's cabinet could not accept such a measure, which underscored MacDonald's belief that only a National Government—containing representatives of all the parties—could administer the deflationary cure to a reluctant country. MacDonald collapsed his government, reappeared as the leader of the new National coalition, but few Labour MP's followed him. Party members considered MacDonald's defection the greatest betrayal the movement had ever suffered. And once again, the Party's fortunes plummeted into the dust. The 1931 election reduced its representatives in the House of Commons from 287 to 52. Even more than in 1924, labor had forfeited a supreme opportunity.

Léon Blum's Popular Front government, which came to power in France in 1936, was still another chance for progressive social change that in great measure was frustrated by political shortsightedness. Whether the Popular Front leaders had any illusions about the ease of their task is difficult to say; their actions certainly indicated that they did not anticipate the obstinate, close-in fighting with which they were met.

In the May, 1936, election, the Popular Front won an overwhelming victory, with the Socialists replacing the Radical So-

cialists as the largest party. Blum took office with a cabinet largely made up of Socialists and Radicals. The Communists supported the government, but decided to remain outside the cabinet.

Even before the new government was sworn in, an unprecedented wave of strikes broke over the country. A new technique was sprung: the sit-down strike—which, to many conservatives, seemed like the first harbinger of revolution. The increased aggressiveness of the workers was an outgrowth of the great electoral victory; they expected "their" government to help them secure demands which they had never before been able to win on their own. As for the leftist parliamentarians, the workers' "direct action" was an immense aid in realizing the pledges of the Popular Front program. For once, the labor movement, rapidly advancing on both the political and economic fronts, had the conservatives on the run. In rapid succession, laws were passed investing collective bargaining with a new, legal status; providing for paid, two-week vacations; and instituting the forty-hour week. The last was by far the most drastic reform and it ran into considerable resistance in the Senate, which was as conservative—because of the indirect method of its election—as the Chamber of Deputies was progressive. Fear of the strikers' wrath pushed the legislation through. The Senate's resistance, however, was a herald of unpleasant things to come.

While the laws were being passed, the government supervised negotiations between the principal trade union federation, the C. G. T., and the employer groups, out of which came a signal achievement, the "Matignon Agreement," which granted union recognition, written contracts, wage increases, and other benefits. The French trade unions, which for years had not enjoyed contractual relations with the bulk of employers, had finally come of age.

In the heady, militant days of June, 1936, the conservatives were badly frightened and the left-wing parties enjoyed a decisive morale advantage. It was an advantage, however, which the Popu-

lar Front did not press far enough—it stopped short of exacting those measures which would have prevented the conservatives from launching a counteroffensive once the first surge of labor militance was over.

Two measures were desperately needed by the government to forestall the conservative attack: exchange control to halt the flight of capital abroad—already steadily diminishing the government's gold reserve and endangering the stability of the franc; and fiscal powers adequate for enough pump-priming to force an economic revival. Unfortunately, the government had little understanding of the inspiring effect public spending could have on a depressed economy; on the contrary, the prevailing belief was that the current wage increases would provide enough new purchasing power to spur industry out of its doldrums. (The errors in this doctrine were discussed at some length in a previous chapter.) By 1938, when he held office for the second time, Blum had been virtually converted to the pump-priming view, but by that time it was too late. Similarly with the matter of exchange controls. In the summer of 1936, Blum could probably have forced the grant of adequate powers. But he did not ask for them. Quite probably, he did not anticipate the bankers' attack; he did not comprehend, perhaps, the insidious weapon the capitalists had in their power to keep their money in the country or send it abroad—all items not included in the parliamentary book of rules.

Instead of the Popular Front taking the offensive, the financiers wore down the government by a steady process of attrition. The flight of capital abroad had started before Blum took office; it accelerated towards the end of the summer, and by September 25 the government decided to devalue the franc—something it had been pledged against. Fearing that devaluation would increase living costs, Blum tried to get a bill passed providing for a sliding scale for wage increases. The Senate turned it down, agreeing only to a limited amount of government arbitration in union-management disputes caused by a rise in prices. The Senate was beginning

to assert itself. And the workers, too, were getting restive again.

Prosperity did not return, some employers reneged on their collective bargaining agreements, strikes broke out as a consequence—and this time the mass of public opinion was against the strikers. The conservatives were getting geared for their counter-thrust. Their press screamed daily for Blum's head. In February, responding to the change in the political atmosphere, Blum declared a pause in the government's program—in order to "consolidate" gains. At this sign of the government's tactical shift, the right became firm. The banks demanded conservative control of the exchange equalization fund—otherwise they would not furnish funds to the government. Blum reluctantly agreed; the defense loan was quickly sold out.

In June, the flight of capital started with renewed vigor. The bankers increased their demands on the government. To meet the crisis, Blum insisted on plenary powers. If he secured them, he could have imposed exchange controls. The Chamber of Deputies agreed. The Senate refused. Blum resigned.

For three weeks, in March and April, 1938, Blum returned to power—armed with a plan for exchange control, and the infusion of new credit into the economy to act as a stimulus. Strikes broke out again, but this time they did not trouble the Senate. They rather strengthened the conservatives' appeal to the country. Once again, Blum asked for plenary powers to carry out his program. Once again, the Senate refused and he was out.

June, 1936—when the conservatives were so intimidated that any reform seemed possible—was not to return. Blum had made a fatal miscalculation that summer.

In brief, the major lesson of this entire European chronicle is the gravity of underestimating the opposition to radical social change. The errors of the European Socialists and progressives can be readily summarized: First, they had no realistic conception of the strength, determination, and resilience of their opponents.

Second, and as a consequence, they made little effort to anticipate the varied forms of resistance—economic, political, military—which they would meet after having attained governmental power; and hence they worked out no strategies to overcome that resistance. Third, the Social Democrats had a serene faith in the immutability of the parliamentary forms. They could not quite believe that the reactionaries would ever overturn the democratic state—and where the Socialists entertained such realistic fears, they were impotent to act on them. And, finally, when the Socialists had power they still lacked realism: they temporized and procrastinated; they could not improvise a new strategy to meet an unexpected threat; they were victims of an unshatterable complacency:

The lessons of the European debacle should not be lost on Americans: here is a series of case histories of what happened when progressives misunderstood their opponents, misread their motives, miscalculated their daring. One need not argue any point-to-point correspondence between the political situations on the two continents in order to appreciate the relevance of the European experience; there are enough similarities to make the comparison apt. For in Europe, in the interwar years, the Social Democrats were trying to further a program of economic renovation that had many aspects in common with present-day plans for a Mixed Economy. In pursuit of their objective, they encountered fierce and tenacious resistance—a phenomenon not unknown in this country in periods of basic social change. The Europeans were ill-equipped for the obstacles which confronted them; and eventually their unpreparedness spelt defeat. American progressives, if they make the same mistakes in a comparable struggle, are likely to come to the same sad end. They should heed the errors of their European comrades lest, unwittingly, they repeat them.

## CHAPTER SEVEN

# THE AMERICAN EXPERIENCE: FAILURE AND SUCCESS

MUCH the same sort of lesson can be derived from American history. In this country, however, the stakes in the battles between progressive and conservative groups have not been as high as in Europe—after the Civil War assured the political ascendancy of the Northern industrialists, a fundamental renovation of the economy has never been at issue. Since the conflict was pitched on a lower plane, since the goals of the progressives, on the whole, were less ambitious than those of their European contemporaries, the Americans were not in a position to suffer as decisive losses through an underestimation of their opposition.

Nonetheless, lack of political realism has often been a serious deficiency of American progressives. Much of the explanation of the failures of the American progressive movement before the New Deal must be sought in its inability to grasp the decisive political changes involved in a progressive reordering of society. But that of course is only part of the story. In many cases, failure came from an inadequacy in the economic nostrums that were offered—the cure-alls were no more than palliatives. And chance often played a part. After the 1896 election, for example, the discovery of new sources of gold, plus an improvement in the economic conditions of the farmers, ended the prospects of the Populists.

More important, the conditions of American society, the vigor of the domestic economy, militated against the development of a radical movement large and powerful enough to force basic structural changes. The existence of an expanding frontier throughout most of the nineteenth century; the wide diffusion of productive property in country and town—despite the uninhibited amalgamations of the trust-builders; continually rising standards of living—despite periodic depression; all these factors tended to produce an economic atmosphere in which the most extravagant personal ambitions could reasonably flourish. The factory hand looked to starting in business for himself, rather than leading his fellow toilers in an assault on the countinghouses. If only one in a hundred could reach the goal, it was enough to make a hundred hopeful. And, of course, the cultural and intellectual atmosphere of the country was even more conducive to a venturesome individualism—the United States lacked an aristocracy, class lines were honored in fact but not in name, the national hero was the candy-butcher who became a millionaire. All the conditions, which in Europe produced militant class-consciousness among the dispossessed, were considerably less visible in the United States. Any movement, such as the Socialist, that pointed to a radical transformation of American society failed, in the first instance, because it could never gather enough support to be more than an amateur crusade.

Even when all these reservations are made, it remains true that the American progressive movement seldom grappled with the problem of political power in its deepest sense, and so seriously limited its effectiveness. In some cases, this lack of political realism totally destroyed the value of movements that enlisted the support of hundreds of thousands of Americans. This is notably true of the crusade for the Single Tax. *Progress and Poverty* was published in 1879; one authority estimates that it appeared in a hundred editions and was read by some six million people. Without question, Henry George was the most prominent name in radical

politics in the first decade after his volume appeared. Sixty-three years ago he ran for Mayor of New York City on a united labor ticket; he bested the Republican candidate and almost defeated the Tammany man; legend has it that he won the election, but was counted out. In later years, Single Tax candidates had more success—Tom Johnson in Cleveland, Samuel M. "Golden Rule" Jones and Brand Whitlock in Toledo, among others.

In office, of course, a Single Tax mayor could be no more than a good "reform" mayor, for it was impossible to introduce the Single Tax on the municipal level. As a matter of fact, to introduce the Single Tax on any level would have been a herculean task, involving a drastic transformation of our whole society; neither George nor his followers saw this difficulty; it lies at the heart of their political failure.

To Henry George, the Single Tax was the cure for all the ailments of capitalism. By taxing away the unearned increments in land value derived from population growth, the improvement of the community and so on, George would have freed both business enterpriser and wage worker of the oppressive toll which the landlord took of the economy. According to his observation, when land on the western frontier was plentiful and society primitive, there was neither much opulence nor poverty. But as cities were built, population increased, poverty accompanied the arrival of progress. Wealth was more abundant, the land produced more, but rent drained off an unfair share of the proceeds. If the landlord was holding up the entire economy, remove his banditry, said George, and the citizens would flourish. It was an attractive formula, persuasively argued, seemingly well-documented; its very simplicity seemed to assure ready adoption. The Single Tax was certainly much less cumbersome than the proposals of the Socialists. The trouble, of course, was that the landlords were hardly a class separate and apart from the country's industrial titans; they were not impotent politically; they would not readily disgorge their ill-gotten gains. To unseat the landlords would involve a drastic

renovation of capitalism. George had no political strategy with which to accomplish this mighty task.

George's naiveté was shared by most reformers active from the nineties to the first world war. In too many cases they ascribed the evils of the time to the ascendancy of "bad" rather than "good" men. The muckrakers, for example, were on the whole ironic examples of reportorial genius, theoretical illiteracy, and political naiveté. The exposés of political corruption in America's great cities, financial skullduggery in Wall Street, the depredations of the traction rings, the oil combines, the meat trust shocked millions of middle class readers, made the fortunes of a number of popular magazines and were a powerful spur to reform movements—but it was reform limited to the whole-souled effort to "Turn the rascals out!" of municipal office, force the industrial Goliaths to play the business game fairly and give the little guy a break. A campaign aiming at a piecemeal reform of some of the worst excrescences of capitalism had many temporary successes, but was doomed to fall far short of its pretensions.

Many of the reformers anticipated the unseating of the "interests" if only archaic electoral mechanisms could be renovated and made more democratic. A whole series of electoral reforms aroused great expectations—initiative, referendum and recall, the direct election of senators, the direct primary, the recall of judges. One after the other, many of these measures were adopted—but they made little appreciable difference. The "interests" had an uncanny ability to shape the new popular instruments to their own dubious ends. The initiative and referendum could be used for reactionary fully as much as for progressive purposes, primaries hardly freed the electorate from the political machines, directly elected senators heard their master's voice as readily as lesser politicians.

The administrations of Theodore Roosevelt and Woodrow Wilson saw the fullest flowering of progressive hopes, the most beneficent climate for far-reaching reforms in decades. And what was the achievement? Certain undeniable gains for the forces of light,

to be sure. During the Roosevelt administration, pure food legislation was pushed through, public conservation got a big boost, a stab was made at railroad rate regulation. During the Wilson years, the Federal Reserve System was established, the Federal Trade Commission was set up, the eight-hour day was introduced on the railroads—thus giving a powerful boost to the eight-hour movement in other industries—conditions of merchant seamen were improved, tariffs were lowered.

But the country's basic economic and political problem, then as now—the problem of depression—was untouched. Trust-busting, of course, was the one campaign that bore directly on the business cycle—for had monopolies been eliminated, had the economic life of the country returned to the unfettered conditions of the early capitalist market, then indeed, at least in theory, the automatic adjustments forced by competition would have made depressions impossible. But trust-busting—the one area in which the progressives decisively confronted the enemies of that competitive democracy they were trying to recreate—could show few successes, apart from the rhetoric of noble laws on the statute books. Roosevelt got no place in his efforts. He was handicapped, it is true, by the loopholes in the Sherman Act of 1890, which allowed holding companies to accomplish the amalgamations which single concerns were forbidden to effect. But he seems to have been handicapped, as well, by the notion that big businessmen, many of whom were his personal friends, could be woo to a sportsmanlike attitude toward their competitors. "Roosevelt," wrote John Chamberlain in *Farewell To Reform*, "was divided in mind, uncertain in effect. His division, accepted at some stage in the course of his attack on large units, was that of 'good' and 'bad' trusts; but his distinctions were no safe guide, for manners meant more to him than facts."

In 1914, Wilson succeeded in getting some better antitrust laws on the books, but only the façade and morale of the monopolies were affected. The Clayton Anti-Trust Act sought to eliminate holding companies and interlocking directorates. Other legislation

established the Federal Trade Commission, vesting it with quasi-judicial authority to prevent unfair competition, price-fixing agreements, and other acts in restraint of trade. The Federal Trade Commission was given broad powers of inquiry and supervision, subject to court review, of course. But despite the hopes incarnated in the high-minded legislation of 1914, monopolies were not seriously handicapped. They were somewhat distressed, to be sure. A number of interlocking directorates were broken, holding companies dissolved—but the illegal combinations were soon afterward recreated in legal, and usually informal, fashion. The Standard Oil Company, for instance, was split up—a sizable victory, it seemed—except that its components thereafter kept operating in great harmony. And, before long, the courts cut down the Federal Trade Commission to a shadow of its original promise. Thus, apart from isolated decisions over the monopolies—and a slew of triumphs over the unfair trade practices of the little fellows—the antitrust legislation of the Wilson era remained a great victory in a shadow-box contest.

Why the debacle? Part of the answer, without question, involves the inherent difficulty of preventing monopoly and leaving private ownership intact. But part of the answer also lies in the misconceptions Wilson entertained about the power compulsives of big businessmen. Desiring as he did a "communion of consciences" between business and government, it is not mistating his philosophy to say that he believed in a pound of persuasion to every ounce of coercion. Wilson thought that once the rules of the business game were set down by government, big business could be prevailed upon to follow them and to obey the umpire. There seems little reason to doubt his sincerity; it seems equally true that he had little comprehension of the difficulties he would encounter. Blinded by illusions, Wilson and his followers were unable to create the competitive conditions of textbook capitalism. Their political and economic blinkers not only kept them from making a success of trust-busting; it prevented them from pushing on to

a new program—to a new amalgam of theory—that would have made economic democracy compatible with large-scale industrialization. The progressives failed, in great measure, because they could not see the obstacles that blocked their traditional and most cherished projects.

Where Roosevelt's New Nationalism and Wilson's New Freedom failed, the New Deal of Franklin D. Roosevelt, to a considerable extent, succeeded. It was no more than partial and, in some instances, tentative success. But the second Roosevelt was able, as his predecessors had not been, to make a decisive attack on depression, to institute a patchwork of economic and social reform that was both more far-reaching and more intensive than anything seen before, and to deal courageously with the power conflicts that his reforms provoked.

In order to appreciate the unique achievements of the New Deal, it is necessary, first, to set down some of its specific successes and failures. Among its failures: it never achieved full economic recovery, despite continuous and strenuous efforts. Although the recovery was sizable by 1940, only the war eventually wiped clean the tolls of the unemployed. Nor did Roosevelt succeed, even with the assistance of a war boom, in eliminating the substandard living conditions of all of that one-third of the nation which, as he thundered in his 1937 inaugural address, was ill-housed, ill-clad, and ill-fed. Nor did Roosevelt ever succeed in balancing the budget—a pledge made in the 1932 presidential campaign which, although incompatible with later policies and unimportant in the light of theories later adopted, he had never explicitly repudiated. And similarly with the long-range goals of the Roosevelt era—the economy was never so renovated as to eliminate the cycle of "boom and bust"; nor were the subterranean power realities so altered as to shift the balance of political power permanently to the multitudes of have-nots. These last goals, of course, were less

a matter of explicit election pledges than the unmistakable implications of the whole New Deal program.

But the triumphs of the Roosevelt era were equally sizable. For the first time, labor came into its own, achieving a welcome degree of respectability and security, much of which resulted from statutory recognition of labor's right to bargain collectively. Under the protection first of Section 7A of the NRA law and then of the Wagner Act, union membership increased enormously. Huge sections of American industry which had previously resisted the unions—steel, autos, rubber, textiles, among others—were strongly organized. Unorganized workers were not neglected by the government—even more than their unionized brethren they benefited from the wage and hour law, which eventually established minimums of 40 hours a week, 40 cents an hour throughout the land. Union and nonunion alike received the guarantee of unemployment insurance benefits and old age pensions through the Social Security Act.

The New Deal rescued farm and home owners by refinancing and guaranteeing mortgages; protected investors through elaborate securities and exchange regulations; reassured every savings bank depositor by guaranteeing deposits up to \$7500. It resuscitated the country's banking system, outlawed public utility holding companies, embarked on an ambitious program of reciprocal trade agreements. Under the New Deal, land conservation was given a big boost through the CCC and other measures; the Rural Electrification Administration brought the twentieth century to thousands of farmers; for the first time the government poured millions of dollars into an experiment in regional socialism—the Tennessee Valley Authority.

The New Deal succeeded in its reform program because it was able, first, to bring about a substantial measure of business recovery and, second, to overcome some of the covert political power exercised by the business community—particularly the remarkable sounding board it possessed in the Supreme Court. Had the New

Deal been unable to succor the unemployed and induce a business upswing, it would doubtless not have won the 1936 elections. Roosevelt's great reform measures would probably have been repealed. And had Roosevelt not met the challenge of the Supreme Court, there can be no question that the bulk of his legislation would have been declared unconstitutional. In overcoming the Supreme Court's opposition, Roosevelt showed a capacity for attacking the power realities in the modern state that European Social Democrats did not possess. If Blum, for instance, had been able to handle the French Senate as resolutely as Roosevelt handled the Supreme Court, he would not have been turned out of office in 1937 and 1938. And, of course, if Blum and the Socialists in Germany and England had a plan for overcoming the depression, their bargaining power would have been enormously increased.

As soon as he got into office, Roosevelt became the depression doctor. Recovery had to go hand in hand with reform. Confronting the most serious banking crisis in the history of the country, Roosevelt, of course, had no alternative but to act fast, to spin theories as rapidly as he improvised. Many of the policies which he adopted in the frenzied first hundred days of his administration were ineffective; taken together, the lot of them were mutually contradictory. The plan to raise prices by lowering the gold content of the dollar brought no significant results and had to be abandoned; the NRA, which induced an immediate spurt of recovery, thereafter had no appreciable effect. The program of plowing under cotton and killing little pigs did lift farm prices, but it ran counter to the government's effort to raise the living standards of all the people.

Despite the theoretical confusion, the endless jockeying for position of half a hundred recovery-planners, Roosevelt did hit on two significant innovations. The government took over effective control of the country's banking system, and he put Washington squarely in the business of providing relief for the unemployed. The government began to spend and spend—without benefit, at

first, of any Keynesian theories and with the major motive being the humanitarian one of taking care of the depression victims. The government's pump-priming program was, as we have seen in Chapter 3, its principal line of attack on the depression. And it worked. The New Deal succeeded where European progressives had abysmally failed.

The banking reforms were equally important, for government control of the country's fiscal mechanisms eliminated any technical problems to its spending and rendered it invulnerable to sabotage by the bankers. (What the Blum and the second British Labour governments could have done with these powers!) It is true that when Roosevelt came into office the bankers were so cowed that they could hardly have opposed any measures that he favored. But there was always reason to suspect their future cooperativeness, once a degree of recovery restored their self-confidence and aggressiveness. By the measures which Roosevelt adopted in his first days in office, when he had unlimited initiative, he protected his administration from any future unpleasantness. And by stopping the flight of gold, he protected the country from those of its citizens who preferred to sell it short. Removing these fiscal weapons from the conservative battery became an important victory in the contest for fundamental political power. It was as important politically as it was economically.

Of equal value was the New Deal's benevolence towards the trade unions. By giving labor its head, Roosevelt's essentially middle-class administration created a powerful ally with which to do battle against the "sixty families." Roosevelt was a forthright champion of the unions to an extent to which Wilson, despite the concessions to labor in the Clayton Anti-Trust Act, certainly was not. And the policy paid off—at the polls and in the way of lobbying pressure.

Much more significant in tipping the power balance in favor of reform was Roosevelt's crusade against the Supreme Court. For decades, the highest court in the land stood as a colossus athwart

the path to social reform. The "interests" had their most powerful—however sincerely unconscious—ally in the conservative majority of the court, many of whose members were relics of an earlier, unreconstructed capitalism. Neither Theodore Roosevelt nor Woodrow Wilson did anything about the Supreme Court. Franklin Roosevelt acted. His methods were dubious, to say the least. But the logic of his attack was sound, and his success was overwhelming—the threat of his "court-packing" scheme forcing the justices to reform.

By besting the Supreme Court, by prodding the country part way out of the depression, the New Deal far surpassed the record of European Social Democrats. Despite its many shortcomings, despite its lack of "theoretical clarity," the New Deal showed a sterner realism and a stronger will.

## CHAPTER EIGHT

# PIONEERING THE MIDDLE WAY

THE successes of the New Deal were matched, and in some ways surpassed, by only two other governments before the war: the labor regimes in Sweden and New Zealand. The two countries pioneered in Mixed Economy planning long before the creed emerged in any coherent way in this country. And ever since Marquis Childs coined that felicitous "middle way" to characterize the Swedish effort, the term and the country to which it applies have aroused an allegiance among progressives surpassed only by the devotion which Communists lavish on that absurd delusion, "Soviet democracy."

Emotional extravagances aside, Sweden and New Zealand are of absorbing interest to liberal planners eager to avoid the extravagant blessings of both unreconstructed capitalism and totalitarian socialism. Over a number of years, Sweden and New Zealand demonstrated that the Mixed Economy can work. They are the visible proof backing up the textbook claims. And they are, as well, the only major examples of successful Socialist politics in the interwar years.

Sweden, preeminently, proved the case for a plural economic setup, revealed the ease and efficiency with which the capitalist, socialist, and cooperative sectors of the economy can coexist in a democratic country. Sweden demonstrated, in addition, the whole-

some impact of public and cooperative enterprise on heedless, know-nothing monopoly. And it indicated—beyond any possibility of quibble—that the state had to take responsibility for the major economic decisions if it were to beat the depression.

Before the war, public ownership in Sweden embraced a larger area than in any other European country except Russia. The state owned the major rail lines, air transport, the telephone and telegraph systems, many electric power plants; it was majority shareholder in the radio broadcasting corporation.

In broadcasting, air travel, and communications, the national government ran the whole show. With railroads, the state owned the major networks, private owners held subordinate lines. As for electricity, the government shared the field with municipal and private enterprise. Thus—in railroads and electricity—the government provided "yardstick" competition with private ownership, a helpful safeguard for the consumer against price-gouging. It was a much more effective system than utility rate regulation and trust-busting, both cumbersome procedures which never attracted the Swedish people.

For years, the government has been even more directly engaged in "private business." Sweden's forest land—nearly sixty per cent of its total area—has long been one of its richest resources, with forestry and allied callings among the country's chief money-makers. The government has had no scruples about crowding private enterprise in this lucrative field: it owns approximately 24 per cent of the total forest land, as against 27 per cent belonging to private concern, and the remainder in the hands of farmers. In disposing of its timber, in operating sawmills and pulpmills, the government competes directly with private interests—without, apparently, extinguishing the initiative of free businessmen or making totalitarians out of the foresters. And the consumers are benefited: competition keeps prices down.

With two types of merchandise—liquor and tobacco—the state enjoys complete monopoly. Supervision is exercised through private

corporations completely controlled by the government. Private traffic in liquor or tobacco is outlawed. Retail prices are kept low, but the state still enjoys substantial revenue. The liquor monopoly—together with a rationing system—was adopted before the first World War, to promote temperance. On the whole, the effort was successful, although control gave rise to bootleggers, in Sweden as elsewhere an obstinate fraternity difficult to control.

Tobacco was taken over for strictly profit-making motives—the government needed funds to pay for its new pension scheme. It got the money, aged citizens got their pensions, and the taxpayer was left untroubled. The people who lost, of course, were the owners of private tobacco companies—but their special pleading was not allowed to thwart the general welfare.

It is hard to exaggerate the importance of public ownership in Sweden. For in four major fields—transportation, communications, electricity, forestry—state enterprise has curbed the uninhibited demands made by private owners when in a monopoly or near-monopoly position. The consumer has gained through better prices, better quality; the community through a wider distribution of goods.

The cooperative movement has long provided similar boons. Organized on a nationwide basis in 1899, consumer cooperatives now handle approximately 13 per cent of the nation's retail trade. Over 30 per cent of all families hold membership in the groups. Cooperatives are as deeply rooted in Sweden's retail economy as chain stores in the United States.

Swedish cooperatives were organized on the classic Rochdale principles—with one significant difference: they did not hold to the market price but frequently undersold private stores. Such a policy benefited not only persons who traded at the cooperatives, but all buyers, to the extent that private dealers were forced to lower prices. In 1938, cooperatives were said to be responsible for a fifth of the nation's food bill; thus they had a decisive impact on one of the most important items in the average householder's budget.

The effort to reduce prices led the cooperative movement into wholesale trading—under the aegis of the nationwide *Kooperativa Förbundet*—and into manufacturing, first for local, then national and, finally, the international market. Cooperative production began modestly enough, with the local societies starting their own bakeries and meat-packing plants. Thereafter, when the cooperatives entered the national market, they broke the back of a whole string of monopolies. First target was the cartel controlling margarine, an important staple of the Swedish diet. The cooperative societies bought a factory, a modest establishment, but adequate for their retail outlets. The cartel, outraged at this trespass, started a price war—an enterprise for which they had infinitely greater resources, if not patience. But the cooperatives, backed by a membership thoroughly sold on the principles of the movement, hung on—never ceasing their public pointing-with-scorn—and after a couple of years victory was theirs: the cartel disintegrated, prices settled at a reasonable level.

Thereafter *Kooperativa Förbundet* used the same strategy in attacking the milling cartel, the rubber monopoly, many another hijacking enterprise in basic commodities. Its grandest coup came when it smashed the electric bulb combine. This assault, a truly international undertaking, involved the construction of a lamp factory in Sweden, jointly owned by the cooperative societies of Sweden, Finland, Denmark, and Norway. The first cooperative bulbs appeared on the market in 1933. Childs, in his book *Sweden: The Middle Way*, tells what happened next: the cooperatives set a price of 22 cents per bulb; the cartel immediately met it—before the factory had gone up, the same item had cost 37 cents. During its first year, the new factory produced 3,000,000 bulbs, in its second 3,500,000. Later on, it turned out a third of the lamps that Sweden used each year. Consumers saved, of course, on all bulbs purchased in the country—an aggregate windfall estimated at five or six million kroner a year.

One authority, Dr. Mauritz Bonow,\* calculated that before the

\* *Annals of the American Academy of Political and Social Science*, May, 1938.

war the cooperatives were usually responsible for 20 to 30 per cent of the production in those fields in which they engaged in manufacturing. The economic effects of capturing such a hefty slice of the market were far-reaching: consumers gained through lowered prices, increased purchasing power; as prices sank, public demand for the product usually increased; lower prices also forced former monopolists to increase productive efficiency; this in turn increased profits. According to Dr. Bonow's analysis, the cooperatives, in competing with private industry, were conferring a boon on their erstwhile opponents—it was a boon, however, which the latter always strenuously sought to avoid.

Sweden's success with a Mixed Economy was dependent on her ability, more than anything else, to overcome the depression of the early '30's. The Social Democratic Party, which has been continuously in power from 1932 to the present time, succeeded for precisely the converse of the reasons its sister Socialist parties failed: the Swedish party had a plan and a program to meet the depression. It was not content to preach socialism and practice *laissez-faire*. It did not beguile itself with the notion that if the government kept hands off the economic machine, the depression would spend itself, the unemployed would behave with proletarian discipline, and the "class enemy" would remain parliamentary gentlemen.

The Social Democrats came to power with a bold plan to best the depression—a plan considerably more novel in 1932 than it is today. Their scheme, like the New Deal's a few years later, was for government spending to put the unemployed to work, the by-now-familiar effort to stimulate the economy by a heady infusion of new purchasing power, painlessly introduced in a manner which did not appreciably add to business costs. Like the New Deal's program, it provided for deficit financing, but with one significant difference. The Swedish model included a definite plan to balance the budget—not annually, but over the course of the business

cycle. During the depression, the government would finance much of its increased expenditures by borrowing; the economy as a whole would be stimulated. In prosperous times—when expenditures are normally increased, thus adding to the general inflationary tendency—the government would cut down its outlay, pay back the debt it incurred in depression years. For the first time, the government would spend, borrow, and tax with a view to limiting the disastrous swings of the business cycle.

The Social Democratic cabinet was aided in winning support for its expansionist program because Sweden boasted a traditional "reserve works" program to care for the unemployed; the new proposals thus had less of an unfamiliar ring than in other countries. The new program, however, marked a considerable departure from the old. No longer would all projects be of a type which required only unskilled labor—a setup that was grossly destructive of the talents and morale of skilled workmen; nor would wages be fixed at a level below that of the free market; nor would all the projects have to be noncompetitive with private industry—they would thus be more useful to the community. More important than these social considerations were the economic ones: the old "reserve works" projects had been financed out of taxation; this method, if anything, had a depressive effect on the economy. Under the new scheme, deficit financing would be the rule.

The Social Democrats got most of what they asked for. Although the leading party, they did not have undisputed sway in the Riksdag. Like the first two Labour governments in Great Britain, they were dependent on minority party support—in this case the Farmers' Union. The Socialists' original proposals would have made a clean sweep of the old "reserve projects" system; a compromise, however, had to be reached with the Farmers' Union. It amounted to a merger of the old and new schemes—the net effect, however, providing an expansionist push to the whole national economy. It was a major political victory for the Socialists.

Although enacted by the Riksdag, the program made little

progress in 1933. It was held up by a nationwide labor conflict in the building industry. Thereafter, in the spring of 1934, all-out spending began. Heart of the program was the effort to revive the construction industry, for an abundant increase in building would stimulate many another depressed industry—iron and steel, cement, glass, brick, even furniture manufacture (new homes required new furnishings). The government lent money to the cities to build schoolhouses, hospitals, sewage disposal systems, city halls, every kind of community establishment. Bridges were constructed, harbors improved, shipbuilding given a boost. Householders were advanced money to erect new homes or improve old ones. Public corporations got loans for housing projects.

According to Gustav Moller,\* new investment for which the state was responsible totaled 832,000,000 kroner during the fiscal years 1933-34 and 1934-35—three times the sums spent in the two previous years. The effect of the government's bounty was soon visible: unemployment fell from 164,000 in 1933 to 115,000 in 1934, and then to 62,000 in 1935. By 1937, it was down to 18,000.

A controversy developed, however, as to the causes of this happy fortune. Opponents of government spending pointed to the devaluation of the currency in 1932 and the increase in exports in 1933. They demonstrated that the first economic upturn was apparent in the last six months of 1933—and, sizable government spending did not get underway until 1934. This was a telling argument, but the spending crowd got the best of the dispute. For example, Moller pointed out that, despite the beginnings of revival in 1933, no substantial fall in unemployment occurred before the government loosed its kroner in the spring of 1934. Further, he argued that the home-market industries had a livelier revival than the export industries—another indication of the prime importance of Stockholm's fiscal prodding. Equally sig-

\* In his article on Sweden's unemployment policy in the *Annals of the American Academy of Political and Social Science* for May, 1938.

nificant, exports fell off in 1935, but the country did not slip back into depression; thanks to the spending program, recovery continued.

Another important, though subsidiary, measure to promote recovery was the drive to raise agricultural prices. Through government purchases, prices were forced up to around three-quarters of their average level during the best years of the twenties. Later, they were permitted to rise higher. The government, of course, faced a dilemma: on the one hand, agricultural first aid was necessary to rescue farmers; on the other hand, if prices went too high, the real wages of urban workers would decrease and the stimulating effects of the government's spending program would be lost. In the end, the government managed the difficult feat of raising prices high enough to help the farmer without penalizing the city worker.

By overcoming the depression, the Swedish Social Democrats solidified their parliamentary position. While every other continental Socialist movement was powerless to resist the reactionary assault, the Swedes swept on from one electoral success to the other—in 1936, 1940, 1944, and 1948. Jobs meant votes for socialism.

Sweden's experience is proof of the effectiveness of a Mixed Economy, and of the value of abundant government spending. But Sweden's efforts offer no indication that in another country, with a different tradition, a pluralist setup could be achieved with as little political turmoil.

Marquis Childs (in the aforementioned *Sweden: The Middle Way*) argues that the national characteristics of the Swedish people had much to do with their success. Sweden's success, he says, "may have merely a racial significance, a lesson in the value of certain neglected virtues—patience, perseverance, caution, with which the Swedes are particularly endowed. Certainly they have qualities which set them apart from most peoples. The Swedes are homogeneous to a remarkable degree. There is virtually no

public graft in Sweden, a factor of primary importance if the state is to engage in large-scale enterprise. Social and economic education has penetrated to the mass of the people and it has been built upon an inherent regard for democratic institutions."

Other factors are of equal, if not greater, importance. Sweden has been less cursed with the extremes of great wealth and abysmal poverty than most European countries; an evener distribution of national income inevitably softened the rigors of class-struggle, made men more amenable to compromise solutions. Perhaps more significant in explaining Sweden's easy compromises is her long tradition of cooperation and public ownership. The cooperative movement got entrenched early in the game—when competing retail merchants might complain, but when the stakes in the social struggle were not very great. Quite sensibly, the cooperatives never mounted a grand assault against the whole citadel of capitalist production; rather, theirs was a strategy of piecemeal infiltration, of surrounding and capturing one exposed trade position after the other. They never moved rashly enough to provoke the capitalists to an all-out counterattack. As a consequence, the cooperatives were able to develop in peace until they became huge, prosperous, and eminently respectable, a firm anchor for the entire economy.

A similar development took place in regard to public ownership. For centuries, as Childs pointed out, the government held title to a sizable slice of the country's forests; it went into the lumber business many decades ago. The government also led the way in building railways, in laying telephone and telegraph lines. Since the turn of the century, the Swedish people have been accustomed to a "public sector" in the economy—a municipal power plant was never a gravestone on the path to dictatorship. Thus, expansion of government ownership and government assertion of fiscal powers over the entire economy did not seem as unorthodox in Sweden as in this country. A nation lacking this tradi-

tion of cooperation and state activity can perhaps anticipate a bumpier passage along the Middle Way.

Like Sweden, New Zealand has become known as a plucky little nation which, taking a firm hold of the economic golden mean, has bested the forces of economic collapse, raised living standards, adopted an ambitious cradle-to-grave social security system. The Labour Party's achievements have been rewarded by repeated electoral triumphs that have kept it in office from 1935 to the present time.

Although New Zealand has one of the most extensively mixed of modern economies, its cooperative movement and state enterprise (railways, electric power, radio broadcasting, coal mines) are less significant than in Sweden. The government, however, has a firm managerial hand on every element of the country's economy. It controls and masterminds the whole show.

To start with, the government exercises complete direction over the nation's fiscal apparatus. The Reserve Bank and the Bank of New Zealand are nationalized, as is a lending agency called the State Advances Corporation. By virtue of this control, the government was able to spark a construction boom during the depression. An improved lending scheme was launched to aid home and farm building. The government sponsored every kind of public works development—irrigation improvements, new roads, airfields, railway lines. It also embarked on a vast public housing program. Control of the banks kept the interest rate low.

Even more significant is the air-tight control which the government wields over the country's exports. This is of the greatest importance since New Zealand is a farming country whose prosperity depends on the prices its products fetch on the world market. A decline in agricultural prices abroad always meant great difficulty at home. The price drop—particularly in England—that followed the boom years of the first World War set New Zealand off on the downgrade, but the situation really became

alarming during the great depression. The country was plagued with a huge foreign debt, incurred years before to build up its transportation and communication systems. As prices fell, New Zealand's income was cut so drastically that there was grave danger she might have to default on her overseas obligations. Both the farmers and the government were of one mind as to solution: deflation, a drastic, across-the-board cutting of costs. Wages in agriculture and industry were slashed, the government reduced pensions, lowered rates of pay on work relief projects, reduced the meager income of civil servants. Meantime, agricultural production and exports increased, but never enough to keep pace with the continuous drop in prices. At home, of course, enforced shrinkage of purchasing power kept cutting back the demand for the products of domestic industry and gave added impetus to the graveyard plunge of the economy.

After the Labour Party was voted into office in 1935, the government's policy did a complete about-face. To revive the agricultural economy, the Primary Products Marketing Act became law in May, 1936. The government paid the farmers a set price for their dairy produce; it then controlled all dairy exports, sold them abroad at the most advantageous prices. (Later on, the system covered other farm products as well.) Profits were retained to meet losses incurred when the guaranteed price was lower than the world market price. Fortunately, the new scheme coincided with a revival of prices; fluctuations in the farmers' income were leveled out, however, and their future return assured. And, by stabilizing farm income, the government stabilized a large slice of the effective demand for home products. The largest upsetting factor in the domestic business cycle was thus eliminated.

Ever since 1938, state control has extended to imports and foreign exchange transactions. During the 1938 election, sterling reserves fell dangerously. A flight of capital was on—it was part of the conservative political attack—and there was also a run on the Post Office Savings Bank. The government acted resolutely,

took over control of exchange transactions and imports. It retrieved the situation, conserved enough sterling to meet its foreign obligations. Ever since, the controls have been an invaluable planning device, assuring the import of essential items at the cost of non-essential luxuries. By manipulating the controls, by excluding certain goods traditionally imported, the government also forced the expansion of domestic consumer industries. Altogether, it has been an excellent job of indirect planning.

In New Zealand, the social security system has grown so enormously as to constitute an important extension of the state's economic activity. Under the Social Security Act of 1938, destitution for whatever cause was literally outlawed—it was one of the most drastic reforms ever instituted by a democratic government. Every citizen is eligible for a pension at the age of 65. Assistance is furnished to every variety of the economically disabled—widows, orphans, invalids and their dependents, the unemployed, and the sick. The most far-reaching provision, however, is the virtual socialization of medicine: medical treatment and hospitalization are free to all. The patient selects his own doctor—either general practitioner or specialist—and the state pays the basic fee. Hospitalization, surgery, medical preparations are all free. Maternity care is also provided by the state. The entire social security scheme is financed partly out of regular tax monies but largely by a 7½ per cent tax on individual and business income.

By virtue of the government's role in underwriting the individual's security and in controlling major economic decisions, New Zealand boasts as thoroughly mixed an economy, in its own way, as Sweden. New Zealand's transition from "free" enterprise to a state-managed economy has been a peaceable, painless, and continuous development since the Labour Party came to power. How explain this apparently effortless shift, in a period when Socialist parties in other countries were out-shouted, out-maneuvered, out-fought at every turn? The answer is substantially

the same as that advanced for Sweden, although certain factors were unique to New Zealand.

Like Sweden, New Zealand did not experience the tremendous extremes of wealth and poverty that bedeviled most European countries and pitched class conflict on so bitter a level as to make compromise impossible. On the other hand—and this most surprising in a frontier country—a consciousness of class interests developed early among the poorer settlers. Class consciousness was literally imported from England, from the time the first settlements started in 1840. It resulted from a carefully designed policy to create in New Zealand an exact replica of Britain's highly stratified society. In this way it was thought that political and social stability would be assured.

No carbon copy of the British social system was of course possible, but the leading colonists did succeed in keeping the mass of settlers from buying land and thus achieving economic independence. Land was purchased cheaply from the natives, resold by the government at a high price. Thus only affluent colonists could afford to become big landowners; most newcomers had to sell their labor. From the outset New Zealand found itself with a rural working class—a development that immensely speeded up the reform and labor movements.

Again like Sweden, by 1935 New Zealand had long been acclimated to the notion of the service state. In the 1890's, New Zealand had led the world in liberal reforms. The Liberal-Labour Party was voted into office in 1890, controlled the government until 1912. From the outset, it began to pass a long list of "advanced" legislation. New Zealand was the first nation to give women the vote—in 1893. A system for arbitrating labor disputes was enacted in 1894, a method favored by the unions. It was referred to as compulsory arbitration, but unions could stay outside the system if they wished.

The 48-hour week was made mandatory in industry. The first old age pension plan was voted in 1898, a workmen's compensa-

tion act passed the legislature in 1908, the government provided the citizens with cheap insurance policies, maternity health programs were liberally supported, hospitals received generous subsidies. On the economic front, measures of land reform produced a large crop of small homestead farmers for the first time in the nation's history.

The twenty-two years of reform ending in 1912 left a tradition of state activity which persisted throughout the long years of conservative rule that ended with the Labour Party's victory in 1935. That tradition simplified the Labour Party's task in winning acceptance of the dominant position the government now assumed in the nation's economy.

In the final balance, despite all the favorable tendencies that presided over its development, what made the success of the Labour Party was the program which it adopted and the vigor and forthrightness with which it acted. It was a program to overcome the worst extremities of the depression—New Zealand was hardly in a position to overcome depression singlehandedly—to put wage workers back to work, to give farmers enough income to pull them out of debt.

The country had reached the nadir of disaster under conservative rule. The crisis was incredibly severe. One authority estimated that unemployment stood at 150,000—in a country with a total population only ten times as great. Tens of thousands of farm and home mortgages were foreclosed. The unemployed lined up for handouts in the cities, rioted in the streets. Some of them were shuttled away to labor camps in the country. And all the government could advise was—cut costs, step up production. It offered the counsel of suicide.

And so it was that at the 1935 elections the Labour Party's appeal was met with the full-throated response of desperate men. Socially, the Labour program called for a rise in living standards by replacing wage cuts and enacting a comprehensive social security system. Economically, as previously described, the pro-

gram involved an expansionist effort for home industry and guaranteed prices for the farmers. Labour won a smashing victory at the polls, taking 53 out of 80 seats in the legislature. Its mandate could hardly have been more decisive.

And, throughout, Labour pursued its program with unsurpassed energy and foresight. The government ended the deflation, prodded the country on the slow, uphill grind. Its economic capacity was matched by political astuteness. Unlike the European Social Democrats, the New Zealanders consistently outmaneuvered the right.

Two incidents were noteworthy. As soon as the Labour Party got power it moved to nationalize the Reserve Bank—control of the fiscal system was necessary not only to keep the interest rate low, but to prevent any future economic sabotage from conservative political opponents. Similarly, in 1938, the government met the conservative attack by slapping on exchange controls. The flight of capital had toppled the French Popular Front. In New Zealand labor had real power—and knew how to exercise it.

New Zealand, like Sweden, confirmed the wisdom of a Middle Way between the extremes of uninhibited capitalism and omnipotent socialism. In both countries, the state took over as economic arbiter—but without monopolizing economic decisions and making the citizen dependent on his ward healer-commissar for his job. Under a plural setup, government initiative threatened nobody's freedom. There were many bosses—and all four freedoms.

For years Sweden and New Zealand have offered a rare counsel of sanity. They have proved that a Mixed Economy could work. It has been a laboratory demonstration, to be sure, under especially favorable, if not controlled, conditions. Other countries—America, particularly—may not be able to repeat the experiment quite as readily. But in a world threatened by an extremist smashup, it has been a laboratory demonstration well-nigh invaluable.

PART THREE

THE ROAD TO  
THE MIXED ECONOMY



## CHAPTER NINE

### WHO GETS HURT?

WE COME now to the heart of our discussion—how to attain the Mixed Economy in this country. But before embarking on this inquiry, it is necessary to analyze the mainsprings of the opposition to the Mixed Economy. What groups in our society oppose the program because they stand to lose by it? Whose toes are stepped on?

In the spate of Mixed Economy-Full Employment books that have poured from the presses during the last few years, the action is general that every citizen will benefit from the new dispensation. It is a comforting picture: a few judicious surgical repairs, a currency shot-in-the-arm every now and then, the ever-watchful, stern, but tolerant eye of the government and, lo, prosperity for everybody—worker, farmer, professional man, industrialist large and small.

The authors of these optimistic volumes are sadly aware that most Americans do not buy the prescription—they are still going to the economic quack doctors. In explaining this curious resistance, our authors usually fall back on the unfortunate fact that individuals and groups are often ignorant of their own best interests. Indeed, with a curious perversity explicable only in psychiatric terms, they frequently act as if they were animated by their own worst interests.

A corollary explanation is that most Americans just do not understand the new economic prescription. They are behind the times.

They suffer from cultural lag. Once they understand, persuasion will be easy, for the new converts will be prodded by rigorous self-interest.

This analysis is plausible as regards the worker, the farmer, the professional man, the small entrepreneur. A Mixed Economy would provide them with economic security, ascending standards of living, and that heightened sense of personal freedom that is ultimately dependent on a measure of material well-being. The worker, after all, will be assured a job and an ever-fatter pay envelope. The farmer will have a boundless market for his products. The professional man will prosper from an increased need for his services. The small businessman will share in the accelerating whirl of economic activity. All these boons—with no loss of personal freedom, managerial initiative, or material possessions to the parties concerned. The mass of citizens have an immense stake in the Mixed Economy, although, until they become aware of that stake, many will oppose the new dispensation with uninhibited vigor.

The same judgment, unfortunately, does not apply to the big businessman. Here the beguiling picture drawn by our full employment prophets begins to darken. In their view, of course, large-scale industry—even if forced to abandon monopoly price-fixing—will gain in the long run, will reap greater absolute profits, by taking a slimmer margin of profit on a greatly increased volume of production. Such a procedure, it is argued, may seem to large businessmen to be against their immediate self-interest, but eventually the bitter medicine will have the most beneficent effects for them as well as for everybody else.

American industry, in its actions if not in its words, vehemently disagrees. In general, the enlightened Committee for Economic Development is the only business organization that approaches agreement with the liberal professors. But it has won only a minority of businessmen to its view.

If large business will prosper under a pluralist setup, how explain its curious resistance to apparent self-interest? The answer,

ultimately, is that businessmen have a better appreciation of their own welfare than do their academic counselors. Big business has abundant reason to be wary of the Mixed Economy.

This is true no matter what model of the Mixed Economy is considered. If you take the thoroughgoing mixture—large doses of nationalized and cooperative enterprise—it is apparent why big businessmen become queasy. If they are socialized, they lose money—not so much the value of their properties as expectation of future profit. They are compensated for the former, either in cash, which earns them more money elsewhere, or, more probably, in government bonds carrying a fixed rate of interest. Of course, if their original holdings were unprofitable, a government-backed interest rate might seem highly attractive. But in the case of prosperous industries, private owners would doubtless lose heavily on the deal. In England, for example, the coal owners did not kick up much of a fuss when the state moved to take them over. Coal had been a sick industry for decades. But the iron and steel magnates, whose business was in a healthier state, did not view nationalization with the same resignation. We can anticipate a similar development in this country.

American businessmen are equally resistant to those pluralist programs which eschew any more nationalization than currently exists (with the possible exception of a few more river-valley authorities). Most of these programs, however, involve the elimination of monopoly price-fixing—the bane of any expansionist program sparked by government. Your rugged monopolist, however, is annoyingly stubborn about lowering prices, cutting profit rates, expanding production. Economists argue persuasively that greater volume will make up for slimmer profit margins. Yet the big boys don't rush to cut prices. Why?

One immediate reason suggests itself. To expand production sufficiently to compensate for a lower price often involves a great increase in plant capacity. This increased plant would be lucrative in boom times, but a possible white elephant in depression. It's smart

to avoid the risk. So ran the rationale of our steel industry when it was operating at about 100 per cent of capacity in 1947 and later years and the entire country was waiting for more steel.

But, say the professors, a full employment program means no more depressions, for the government acts to prevent collapse once the first hint of economic distress is glimpsed. Thus, if business is safeguarded against depression, why the continued reluctance to co-operate? There is, of course, the slight matter of business being leery of wagering billions of dollars on the government's untried promise. However, even if we assume that business is convinced that the government will succeed, it still has good reason to be unwilling to take the plunge.

The point is that while business as a whole would gain by a full employment policy, certain individual firms which are forced to cut prices might very well suffer. The amount of suffering is, of course, difficult to determine theoretically. It would depend on the extent of the firm's monopoly position, its price structure, profit margins, the amount of output expansion possible without plant expansion, and so on.

We can take a couple of extreme cases: a strong monopoly, faced with a demand for its product that is fairly inflexible—in good times and bad and regardless of price changes—would of course lose money if it cut prices. At the other pole is a price-fixing finagle in which a number of firms participate, in which, as a consequence, the price is not pegged at a tremendous height above the competitive level, and where the motive is fear of a glut of goods and a back-breaking burden of excess capacity when depression comes. In this case, continued prosperity, lowered prices, and expanded production might very well bring greater profits.

To repeat, the important point is that the effect of a monopoly-breaking, price-cutting policy would vary greatly with different concerns. The business community as a whole would doubtless benefit, but any number of individual firms would lose. Hence we have a substantial basis for business resistance to the program, for

your average corporation, facing government scrutiny, normally thinks and acts in terms of its own specific interests and not in terms of the interests of all of American business.

Businessmen oppose not only nationalization and monopoly-busting, but the whole concept of deficit spending as a way to overcome depression. They get violently disturbed about deficit spending even when it is not combined with any other suspect measure. According to an outraged former president of the National Association of Manufacturers, "For year after year of deficit spending there was the notion that all anyone had to do was to look to Washington to do their thinking and to provide their livelihood." Since the early pump-priming days of the New Deal, business spokesmen have been issuing grim jeremiads every time an appropriation was voted to aid the unemployed. Ruinous taxes, an oppressive debt burden loaded on unborn generations, complete loss of business confidence, an astronomical inflation, the threat of dictatorship were all seen as the natural consequences of the government's bounty.

During the war the economy readily survived monumental deficits for armament, but business resistance to Lord Keynes and his followers lessened hardly one whit. It reached its peak after the war when the original full employment bill was before Congress. The dominant business attitude was aptly put by Representative Smith of Ohio, who exclaimed, "The bill we are considering is one to put the American people in chains in the guise of preserving their liberties." And on one occasion Senator Taft delivered himself of this warning: "There is no panacea by which we can furnish full employment unless we are prepared to adopt a totalitarian system."

The real point of the bill, of course, was merely assurance that if in any one year the volume of private investment appeared to be insufficient to maintain full employment, the government would fill the gap. It was the logic of the standard deficit financing approach. So severe, however, was the opposition to the term "deficit

financing" that proponents of the bill denied that they favored the tactic. In the end, the Employment Act of 1946 was similar to the original legislation, but the language was considerably toned down. The term "full employment" was deleted, so was Washington's "guarantee" of this happy goal, as well as certain explicit language about investment to be undertaken by the federal government.

It is important to understand why business opposes a prophylactic measure like "government spending," which involves a loss of neither property nor profits. The first possibility, of course, is that businessmen do not understand the theory of deficit financing. (We are naturally assuming that the theory is correct and that the program is practicable—the point was argued at considerable length in a previous chapter. If this assumption is incorrect, then of course our whole argument collapses.) Perhaps business spokesmen are really persuaded of the economic arguments they hurl at the spenders. Perhaps they are indeed afraid of catastrophic taxes, believing that a government debt, like a private debt, has to be repaid. Or perhaps businessmen think the theory involves the government hiring all the unemployed—certainly a monumental task. They may not understand that the government would employ only a portion of the unemployed, and that the resulting new purchasing power would have a cumulatively expansive effect on the entire economy. If just these points, or innumerable others, are misunderstood, it is easy to account for business opposition.

It is also possible, of course, that businessmen have defective memories. They may have forgotten the bitter *sturm und drang* of the last depression, their utter helplessness, their desperation and their eagerness for any measure of succor that government could provide. This assumption appears to contradict a previous statement that fear of depression restrains business from all-out plant expansion. It is likely, however, that while businessmen expect a depression, they have managed to forget the wretchedness of their plight last time. Next depression they will do better.

They may regard the severity of the last collapse as the abnormal

result of abnormal economic factors. They may be convinced that if only government leaves business alone, provides a congenial atmosphere in which the leaders of industry can regulate their own affairs, the automatic mechanisms of the market will moderate the severity of the next depression.

If big businessmen are indeed sincerely possessed of these attitudes, it is easy to account for their unwillingness to support deficit financing. They can be accused of blindness to the facts of life, ignorance of the simplest theorems of modern economics, but there is no problem in accounting for their attitude. Of many businessmen, this is no doubt true.

But not of all. The more sophisticated captains of industry are neither ignorant of recent history nor simple enough to believe that the government has to live within its means like a private householder. They know enough economics to understand the mechanics of deficit financing. They mouth the old catchwords, manipulate the old fallacies, because these are the slogans and the arguments that the mass of their followers—and indeed the mass of Americans generally—understand. The knowing businessman opposes deficit financing for other reasons.

One significant reason involves the loss, under conditions of full employment, of what the economists call the "industrial reserve army." If the government guarantees every man a job, businessmen fear that it is going to be hard to get a full day's work out of him. Industrial discipline will suffer.

Sir William Beveridge, in *Full Employment in a Free Society*, quotes a piece in the London *Times* indicating that capitalists are well aware of this problem: "Unemployment is not a mere accidental blemish in a private-enterprise economy. On the contrary, it is part of the essential mechanism of the system, and has a definite function to fulfill. The first function of unemployment (which has always existed in open or disguised forms) is that it maintains the authority of master over man. The master has normally been in a position to say: 'If you don't want the job, there are plenty of

others who do.' When the man can say: 'If you don't want to employ me, there are plenty of others who will,' the situation is radically altered. . . . In peace-time, with full employment, the worker would have no counterweight against feeling that he is employed merely to make profits for the firm, and that he is under no moral obligation to refrain from using his new-found freedom from fear to snatch every advantage that he can."

This account is doubtless exaggerated. Even under full employment, management can fire a recalcitrant worker; it can train an apprentice or pay overtime rates to make up the slacker's work. This is expensive, but the expense can be passed on to the consumer. Management still possesses its prerogatives, but doubtless suffers a severe impairment of its old power. Management also faces a loss of money in certain circumstances—for labor, in a better bargaining position than previously, can continually press for higher wages. If prices can always go up, there is the danger of inflation. But if fear of consumer resistance keeps prices down, producers may have to be content with slimmer profits.

The question resolves itself into whether the maintenance of prosperity does not repay business for the power and possible profit-loss involved in the evaporation of the industrial reserve army. Some employers may feel that it does, and others that it does not.

There is, in addition, an even more significant objection to deficit financing—the fear of increasing state power. Professor Sidney S. Alexander, in a provocative essay on the subject of business opposition to the full employment bill, argues that in the final analysis what businessmen fear is the shift in the locus of economic power. Now Washington will call the economic tune, not the countinghouse or the board room.

Alexander writes: "The business man does not want his position as helmsman challenged. It is he, the manager or the entrepreneur, who is the decision-maker; and he does not want that position usurped by the government. What he fears from greater govern-

mental responsibility is not the road to serfdom but the road from suzerainty. The business man does have a fear of government activity independent of the profit motive; it is the fear of government as a competitor for economic power.

"This attitude is probably well-founded. . . . The long-run development that can be expected is the atrophy of the entrepreneurial function. The primary role of the business man, as distinct from technical management, is to adjust the operations of his business to changing economic conditions. Gradually the situation is developing wherein governmental decisions in large measure *make* these economic conditions. With this development, the government official tends to displace the business man as the key decision-maker, and, with some lag, the business man's position in society will probably be readjusted downward in keeping with his economic function."<sup>4</sup>

Alexander is unquestionably right that the businessman fears the loss of status, of the power to make the decisions that make all the wheels spin. Under the new fiscal dispensation, he will no longer be kingpin in the economic community. We need hardly labor the point that to many individuals the loss of power is an even more grievous blow than the loss of wealth. From their point of view, businessmen have good reason to fear the growing economic leadership of the state.

Fear of increasing state power is not confined to the intangible area of prestige and status. The economic responsibility of the state, even if it is relatively harmless at the moment, is truly a principle capable of striking terror. For the big businessman is afraid that it is an infinitely extensible principle. Once you grant the state the right to supervise economic affairs, it may go poking around in the strangest places. If the limitations on state action are set by the

\* Reprinted from "Opposition to Deficit Spending for the Prevention of Unemployment," by Sidney S. Alexander, in *Income, Employment and Public Policy: Essays in Honor of Alvin H. Hansen*, by permission of W. W. Norton & Company, Inc. Copyright 1948 by the publishers.

welfare of the community and not by the traditional prerogatives of business, at what point will the state stop? Today its proposals may be modest—it may only want to affect economic conditions by taxing and spending—but if you grant this privilege, how can you later, for example, oppose the state's right to take over industry, if such action appears necessary? Far better to scotch the threat of state intervention at the outset.

It is clear, then, why business spokesmen blanch at every species of Mixed Economy. Any touch of socialization is a threat to somebody's profits. Monopoly-busting has the same disagreeable consequences. Even a mild therapy like government spending involves so oppressive a vision of state dictatorship as to render the notion thoroughly abnoxious.

Big business has an understandable distaste for relinquishing either power or profit. Little business faces neither threat under a mixed system, but its dominant attitudes are still shaped by its big brother. So are those of the other groups in the community which are usually conservative—vast numbers of farmers, technicians, many self-employed professionals dependent on the bounty of the big corporations, and broad stretches of the middle class. In the case of these conservatives (often they are poorer than the proletarians), ideology clashes with basic self-interest, and ultimately many such can be won for the Mixed Economy. But the monopolists will continue to present a solid phalanx of opposition to the partial planners. This opposition is so strenuous, so deeprooted, and so resourceful as to make the campaign for the Mixed Economy a profound and wide-ranging social struggle.

## CHAPTER TEN

# WINNING POWER

**H**OW can a Mixed Economy be achieved in the United States? Two sets of problems are apparent: the first involves getting an administration pledged to a Mixed Economy program; the second, putting such a program into effect.

Of the two sets of problems, the second is the more difficult. For, as we have seen, progressive movements, both here and abroad, have often been committed to ambitious programs of reform, only to fail miserably when they attempted to carry them out. Nonetheless, the problems of translating an electoral majority into a fundamental renovation of the economy have received little attention from progressives; it is to the consideration of these issues that the next two chapters are devoted. In this chapter we discuss the initial question of winning the government to the Mixed Economy.

It is clear that the present Democratic administration has neither the will nor the capacity to undertake structural economic reforms. It is generally committed to Keynesian fiscal controls, but has not the remotest intention of socializing any sector of monopoly industry: the Mixed Economy is thus far beyond its ken. The same, unfortunately, must be said of the labor unions, their political action adjuncts, and the independent formations of American liberals. Thus the first objective of the votaries of the Mixed Economy must be to persuade the organized left of their program and thereafter win the administration—whether the Truman administration or an-

other, it is still too early to tell. In part, the timetable will depend on whether Truman wins a second term in his own right.

Under what conditions can such a campaign for the Mixed Economy succeed?

The first prerequisite is peace. Another war—particularly one which for the first time is likely to devastate our own back yard—will allow little leeway and less inclination for economic experiment.

Even if a tenuous peace is maintained, but our economy becomes geared to the demands of an imminent war, any movement for basic economic reform will be arrested. In a muscular, semi-authoritarian, prewar economy, national energies will be concentrated on mobilization; liberal groups will be executing desperate maneuvers in defense of our threatened liberties; and the Pentagon and Wall Street will largely make the economic decisions and run the industrial plant.

This is not an inevitable development—rather the likeliest prospect in view of past experience. But there is an even more basic reason why progressive social change will be inhibited: in such an economy a depression is improbable. A huge armament budget, plus military lend-lease and other aid, will provide that substantial measure of public investment necessary to compensate for the inadequacies of private investment. And so long as prosperity continues, only a handful of disaffected spirits are likely to be concerned about the need for rigorous economic surgery to prevent future depression and to promote social justice.

Fortunately, we are not yet fully embarked on a peacetime war economy, despite a military budget of over fourteen billions a year. Although we are engaged—less by desire than by the compulsives of survival—in a struggle to stem the restless sweep of Soviet totalitarianism, our policy-makers are still not resigned to the inevitability of war, and they have certainly not issued the economic directives that would place us on a war footing.

Thus our economy is still subject to the disorders which have

traditionally afflicted it: the business cycle has not been banished; our present inflationary flight may end in a deflationary crash. And social groupings are as tenuous and fluid as the economic charts.

As long as this condition persists, progressive social change is possible. For another depression is likely to be the second prerequisite—next to the maintenance of peace—for radical economic reform.

The reason is simple: you normally do not have an economic revolution, not even a peaceful one, in a society of (relative) abundance. No matter how tight the current price-wage squeeze, no matter how miserable the living conditions of millions of citizens in the lowest echelons of the economy, 1949 is not 1932, the unemployed are not selling apples in the streets and the farmers are not taking pitchforks to the sheriff. People are agitated over such problems as high food prices and lack of adequate housing—not over such esoterica as whether government should run industry where industry cannot provide jobs.

Truman's current program meets the needs of the hour; more ambitious measures could not be sold to the public. It is probable that not until the next depression, not until hunger again puts the old faiths to the severest test, will men once more be receptive to bold experiment. This, at least, is the likelihood in view of recent history. On the other hand, it is foolhardy to be dogmatic about political predictions. Perhaps the harassment of ever-greater inflation will generate radical discontent. If so, a much worse inflation than our present spree will probably be required.

The odds, however, are on another depression to spark a great progressive upsurge. And such a ferment may come as suddenly as the New Deal. Remember the New Deal's debut? There was little in the 1932 Democratic Party platform, little in the record of Franklin Roosevelt, that foretold the startling innovations which soon bore his name. Before his inauguration all that was visible was a genial humanitarianism about the man, a vague and beguiling liberalism about his utterances, and any number of slogans that

fired the imagination—but certainly no bold programming of a renovated America. Indeed, during the campaign, a good many liberals could see little choice between Roosevelt and Hoover and voted instead for Norman Thomas. But the country was astir, the American economy plunged to its lowest point during the winter of 1932-33, every panacea got an instant audience and every prophet had a following. By one of the most fortunate accidents of history, Roosevelt was able to meet the challenge, to improvise a movement of social and economic reform far more ambitious than either Wilson's New Freedom or the first Roosevelt's Square Deal.

The point is that the country was eager for change—and the change came overnight. We could hardly have been in a more despairing state than in the last months of the Hoover administration—and seldom more sanguine and energetic than in the heady days of the Roosevelt honeymoon. The liberal movement, splintered and desolate for the previous dozen years, now became big business. As the professors, the journalistic soothsayers, the heretical economists flocked to Washington, every theory—no matter how vaulting or bizarre—had its day in court; the liberal textbooks became the stuff of government directives.

The next great wave of reform may come about as swiftly, if not as unexpectedly, as the New Deal. Our confidence on this score rests on the probability of another depression. Should this hypothesis be incorrect, should depressions not recur in the free enterprise system, basic economic reform might become impossible—but also, happily, virtually unnecessary. But a depressionless capitalism is the most unlikely development, short of a garrison state and a perpetually militarized economy.

For the advocates of the Mixed Economy to come to power, we have argued that the first requirement is peace; the second, probably, depression; the third is necessarily strong liberal organization. The point is that if the next depression is to result in a reshaping of our economy, the process will not be an automatic one. Eco-

noptic crisis, in an America at peace, will merely provide the opportunity; but the opportunity will go aglimmering unless liberals are prepared to exploit it.

The liberal goal, after all, must be an administration committed to a program of radical economic reform, and such an undertaking requires painstaking preparation: sound and persuasive doctrine, capable leadership, effective organization. It requires, in short, the creation of a powerful movement out of the present liberal disarray—a movement persuaded of the merits of the Mixed Economy and capable of selling it to the country. Short of that, the fate of the Mixed Economy will be left to the hazards of last-minute improvisation. Improvisation succeeded in the last economic crisis; our luck may fail us next time. And if we fail, the conservatives may impose a solution rather more reminiscent of the corporate state than of the lost world of our free-enterprise theorists; an American neo-fascism may conceivably be the alternative to a democratic pluralism.

Today the organized liberal movement, despite its success at the 1948 polls, is far from being the strong, cohesive force that is needed. One of its major deficiencies is, of course, the lack of a clear title to the Democratic Party. Although Truman liberalism is now the dominant trend, the Democrats are still sharply divided. The revolt of the Dixiecrats weakened, but did not excise, the conservative Southern bloc; and the 1948 victory further strengthened the hold of the big city machines in the North. At the present time, the liberals are in alliance with the Northern bosses, an arrangement which eclipses the strength of the Southerners. The old New Dealers are able to impose their ideological views on the bosses—for liberalism means votes in urban areas. In return for this consideration, the bosses are often, but not invariably, able to impose their candidates on the liberals.

One result, in 1948, was that the Party platform was as unabashedly progressive as any platform could be, short of one that called for fundamental economic renovations; and that in many places—

often because the local machines expected defeat—the liberals were strong enough to win nominations for their most militant spokesmen. But liberal influence is still dependent on the sufferance of the machine professionals, a fact clearly demonstrated by the weakness of the organized liberal groups at the 1948 Democratic convention: out of 1,596 delegates, Americans for Democratic Action, the CIO, and the other labor groups commanded less than 250.

Unquestionably, in no election before 1948 were the labor unions and the independent liberals so important to the Democratic Party. They campaigned in the primaries, worked strenuously to increase registration, threw funds, block workers, literature into hundreds of local races. In a few places, like Detroit, labor was virtually credited with taking over the moribund Democratic machine. On the whole, however, the trade unions and ADA served as adjuncts of the Party—although often the adjuncts were more important than the main outfit. The district clubs, county committees, city and state machines usually remained in the hands of the Party professionals. Labor could worm its way into the back rooms, trading support for nominations and platform planks. But it was still the friendly outsider rather than the equal partner.

The way the Democratic Party is now constituted, it can only be regarded as an erratic vehicle for long-term liberal action. For one thing, the southern reactionaries provide a continual threat. In the future, as in the past, they can be expected to vote with the Republicans on many issues. Moreover, by virtue of their control of key committee chairmanships, they will remain in a strategic position to sidetrack legislation and exact reprisals. As for the Northern bosses—most of whom are liberal by reason of convenience rather than conviction—they will continue to be able, as they were during the Roosevelt administration, to apply the ideological brakes and force uncongenial compromises and appointments on the long-suffering liberals. Clearly, so long as the Democratic Party remains under its present control, it would be difficult even to write the

mildest Mixed Economy program into the Party platform. It would be much more difficult to implement it.

The Democratic Party, as presently set up, is just too slender a reed to lean on. To take advantage of the next great shift in public sentiment, the labor groups and middle-class liberals will have to win control of the Party apparatus. The alternative would be to create a new party—a project that has seemed increasingly academic since the Democratic victory in the 1948 elections.

Not only do liberals lack a political party equal to their future needs, but their non-party groupings are deficient in many respects and they are certainly not capable, as presently constituted, of ultimately winning the electorate for the Mixed Economy.

The only nationwide organization of liberals—apart from the labor political action groups—is Americans for Democratic Action, and it is symptomatic of the inadequacies which bodeevil their cause. On the positive side, ADA has been successful in corralling many of the brightest stars in liberal politics—Mrs. Eleanor Roosevelt, Chester Bowles, Hubert Humphrey, Paul Douglas, Leon Henderson, Adlai Stevenson, among others; and ADA enjoys the backing of leaders in all branches of the labor movement. Of great importance, it provides a haven for homeless leftists who do not want to run with the Communists; it offers an impeccable program of action—Keynesian in immediate imperatives, militantly democratic in foreign policy, and (however vaguely) Mixed Economy in ultimate aims. ADA is energetic and enterprising: in certain communities, it has built an effective caucus within the Democratic Party and has done splendid work in stirring up support for local and Congressional candidates. In 1948, it helped get the Democratic Party nominations for Bowles, Stevenson, and G. Mennen Williams. And it boasts one achievement of overriding significance: at the last Democratic convention, it led the unprecedented floor revolt which won a strong civil rights plank in the Party platform.

But ADA has many drawbacks: it plays down its long-range

goals, a tendency which can only result in their ultimate frustration. It is apparently unconcerned about the manifold problems of social transformation which the effort to install a Mixed Economy will involve. And as a short-range group it is often defective—its staff work is sometimes inadequate; it has not mastered the arts of mass propaganda; it is weak in numbers and weak in finances for a group with its ambitions. But ADA does show consistent improvement in its organizational mechanics, and it must be remembered that it started from scratch a mere two years ago.

Our largest and most affluent liberal organizations are the political action groups maintained by the labor unions. The oldest outfit, the C.I.O.'s Political Action Committee, set up over 400 local organizations in 1948. The A.F. of L. followed the C.I.O.'s lead by establishing both Labor's League for Political Education to back Congressional candidates, concentrating on some 158 key districts, and also a special A.F. of L. Committee for Truman. Independent unions like the railway brotherhoods and the machinists also put doorbell-pushing outfits into the field.

Compared to past elections, the political action groups did an excellent job. Ten years ago, labor was well-nigh illiterate politically; generally the unions merely commended friends and castigated enemies, but seldom got out and campaigned. In 1944, the trade unions underwent their electoral baptism, but it took the tremendous fear induced by the Taft-Hartley Act to catapult them squarely into the political arena. In 1948, many unions turned over their entire organizing staffs to the campaign in the final weeks. In the key industrial areas, they did get out the labor vote—and they managed the job without the extravagant hoopla that might have alienated the middle-class citizens who blanched at the famed canard of the 1944 campaign, "Clear it with Sidney!" Moreover, labor had money for the campaign and spent it freely. The International Ladies' Garment Workers' Union, for example, arranged nationwide broadcasts at a time when the Democratic National Committee could not afford to do so. Of equal importance, in 1948 labor

placed much greater emphasis than ever before on primary campaigns, with the result that in November many more voters were given a clear choice between liberal and conservative candidates. In a number of instances the unions managed to secure nominations for their own officials—a rare development in the past.

Despite these achievements, the political action groups still suffer from major disabilities, both as short-run agitational outfits and as potential instruments of a Mixed Economy movement. As agitational machines they are fairly good, but not good enough; not yet professional. The bill of particulars: First, the groups only flourish around election time and, although nominally active, lie fallow the rest of the year. Second, while there has been a notable increase in cooperation between the A.F. of L. and C.I.O. bodies, in many localities their activities are not coordinated, resulting in much waste effort and many missed opportunities. Third, the labor groups are often deficient in the mechanics of campaigning—most unions, for example, have not even broken down their rosters according to the precincts in which their members live. And too much reliance is placed on mass agitation—large meetings, radio broadcasts, newspaper ads; not enough on precinct work. Finally, although political action is the official creed, it is by no means universally supported by the union hierarchies. Most of the leaders give nominal support to the program, but sometimes that support is bereft of enthusiasm and financial generosity. Particularly in the A.F. of L., but also in the C.I.O., there are a great many "business trade unionists" who are as apolitical as an old-fashioned French syndicalist. As a result, the strength of the political action groups varies greatly from city to city.

None of these groups, of course, is in a position to spearhead the campaign for a Mixed Economy. For they are committed to no more than limited objectives: price controls, fair treatment to the unions, public housing, national health schemes and the like; they generally favor public spending in event of a depression, but beyond that voice no program to revamp the economy and evidence

no desire to find one. Today, as for the past fifty years, our official labor ideology is in its fundamentals no different from our official business ideology—the creed is an abundant capitalism, somewhat reformed and spruced up. The unions rail against monopolies, denounce greed and exploitation, insist that the workers get a fair break in wages, but all this is in accord with the standard pretensions of capitalism. True, the labor movement is remarkably more enlightened now than in the ideologically straitlaced days of Samuel Gompers. But to date, despite the successes of 1948, labor has not manifested leadership or wisdom fully commensurate with its role in society. Not until the American labor movement becomes more expert politically, and not until it is persuaded to discard its faith in the capitalist pieties, can a movement for the Mixed Economy achieve the dimensions of a political force.

As for liberal organization in the farm country, it is so weak as to be almost powerless. The dominant groups—the American Farm Bureau Federation, with close to 1,000,000 members, and the National Grange, with 800,000—are almost as conservative and militantly antilabor as the NAM. They are also completely parochial in their outlook, so insistent on pressing every advantage for their constituents that the detrimental impact on the rest of the economy is regarded as irrelevant. Moreover, they equate the interests of all farmers with those of the big farmers. The National Farmers Union, alone among the major groups, champions the small-scale and propertyless farmers, is friendly to labor, and favors a broadly progressive program that strikes a fair balance between the claims of the diverse elements in the economy. But the NFU is a comparatively small group; it has been useful as a gadfly to the conservative mastodons of the farm bloc, but it is far from threatening their hegemony.

Farm organization was not always so conservative. Eighty years ago, the musty old Grange was a youthful, aggressive outfit that achieved many reforms; in the '90's the militance of the People's

Party rivaled the exploits of any of the urban firebrands; and in later years the farmers showed a talent for independent political organization that was more than a match for the party professionals. But today the Non-Partisan League, which once controlled North Dakota and spread its influence through the surrounding states, has suffered a great decline in strength; the Wisconsin Progressive Party has long been laid to rest; only the Minnesota Farmer-Labor Party, now amalgamated with the Democratic Party, has recaptured its old effectiveness.

Not only have the militant farm groups lost their drive, but the urban liberal movement has done nothing to awaken the farm country. An amazing number of farmers went for Truman, but the professional liberals had little to do with that dénouement. Organized liberalism in the cities was for a long time as parochial as the old agrarian rebels. In more recent years, labor and liberal groups have manifested a quickening understanding of the farmers' problems, but have yet to work out any effective channels for parallel activity. During the war, the National Farmers Union was involved in some joint projects with the labor unions, but nothing permanent came of the experience. Americans for Democratic Action has written a sensible agricultural plank into its platform; beyond that has done little.

The 1948 elections proved that prosperity has not made all farmers conservative. And nobody with a memory that can stretch back to 1932 can doubt their militance when hard-pressed. The rebel fires will doubtless be banked until the farmer, like the city worker, is once again in difficulties, but it will be perilous for liberals to delay organizing the countryside until a crisis is dead ahead. If the farmers are ultimately to be won for the Mixed Economy, organization must start now. And without the support of the farmers, drastic economic change is impossible.

Thus it is clear that with their present level of organization, American liberals will be incapable of ultimately winning the coun-

try to a Mixed Economy program. If liberals must depend on their present resources, they will pass up their next great opportunity to reshape the fundamental bases of a society whose need for reform they so urgently perceive.

What kind of organization must liberals undertake? In brief, three developments are necessary: a relatively small organization (of perhaps no more than 80,000 or 100,000 members) must be built to act as a kind of advance scout and salesman for the Mixed Economy; second, this missionary body must win over the trade unions, farm organizations, and urban middle-class groups; and, finally, these latter groups must ultimately control their own political party. Thus a three-tier hierarchy of liberal organizations committed to the Mixed Economy is required: missionary group, mass organizations, political party.

The missionary group should be the active, driving heart of the liberal movement, energizing larger bodies. It should undertake a role similar to that of the Fabian Society and the Independent Labour Party in the formative years of the British Socialist movement: these small bands of visionary activists "permeated" the trade unions and the Labour Party—a gradual, painstaking process—and eventually won them to a belief in democratic socialism. Without the prodding of such a gadfly group in this country, it is doubtful if the mass organizations of labor and the farmers can ever be spurred out of their present intellectual rut.

To some degree, Americans for Democratic Action attempts to be just this sort of proselytizing group: working within the labor movement and the Democratic Party, educating the ignorant, needling the apathetic, sparking the campaign for aggressive liberal action. But although ADA possesses (in embryo) a long-range, Mixed Economy program, it limits its missionary efforts to short-range objectives: an anti-inflation program, civil rights legislation, a progressive foreign policy, and so on. What is suggested here is that ADA advance its ultimate objectives while at the same time pressing for its immediate program; that while it mounts an en-

ergetic campaign on the immediate front, it simultaneously develop a hard core of activists ready to sweep the country with their full-blown program when economic distress once again forces men to political insurgence and social experiment. And if ADA is unable to handle the assignment, another group must be created to undertake it.

For it is clear that proselytizing for the Mixed Economy cannot be delayed until the moment of economic crisis which will make its attainment possible: if educational efforts are so delayed, liberals risk complete failure. The British experience is instructive: it took from 1900 to 1918 for the missionary groups to win the Labour Party to a socialist program; and the Labour Party spent the next twenty-seven years spreading its doctrine throughout the country before it was finally able to elect a majority government. The tempo of our times is such that the process will hardly take as long in this country, but we dare not depend on achieving a complete ideological transformation in six months or a year after the onset of the next depression. The great conversion may only be possible during depression, but the groundwork must be laid now.

Such proselytizing efforts would obviously not involve premature (and vain) attempts to commit either labor political action groups or local sections of the Democratic Party to a theoretical program far in advance of the interests and aspirations of their members. What would be involved, however, would be a gradual permeation of labor, farm, and middle-class organizations with the aims and concepts of the Mixed Economy; the end sought would be a gradual shift from their present unreflective obeisance to free private enterprise. Such missionary work is neither dramatic nor productive of quick results. Moreover, it is irrelevant to argue that the day is distant when the Democratic Party itself can be won for the Mixed Economy. Nobody knows how distant that happy day is; the point, though, is that the heathens will look elsewhere if the missionaries have neglected their chores.

If ADA is to do the job, it must first engage in a program of internal education, for many of its members are not aware of the implications of the economic pluralism to which the organization is theoretically committed. Such an educational program means lectures, forums, debates, study groups on the Mixed Economy, arguing its virtues, debating its problems, analyzing the political obstacles to its attainment both before and after its advocates are ensconced in Washington.

It must be stressed that missionary work for the Mixed Economy in no sense involves abatement of more immediate concerns. Hot lunches for school children would not be sacrificed to some beatific economic vision of the far future. Any liberal organization which abandons the day-to-day struggle for limited objectives is, of course, doomed to impotence.

Nor would consideration of ultimate goals force an uncongenial intellectual discipline on unwilling members, thus turning the organization into a tight little sect. There would be abundant freedom to differ, and freedom for the more pragmatically-minded to avoid the discussion altogether. Within these broad limits, ADA would be training cadres for the strenuous exertion involved in the next great liberal advance.

The second necessary development in liberal organization, as we have said, is the persuasion of the mass organizations—the trade unions and their political action adjuncts, the farm groups, the co-operatives—of both the desirability of the Mixed Economy and the need for the most aggressive political action. With more than 15,000,000 workers organized into unions, labor is the key group. The unions alone cannot bring a Mixed Economy movement to victory, but in the United States, as in any industrial country, they must provide the main organizational bolster. No other group has a larger stake in a progressive reordering of society, and certainly none other potentially left of center has comparable resources to back up the drive.

Much remains to be done. As we have already seen, labor's political action outfits suffer from many disabilities; they will have to be better coordinated, turned into professional political machines, and, very important, tendered the enthusiastic support of most union leaders before they can achieve their potential effectiveness.

It will doubtless be more difficult for our missionary group to win the unions for the Mixed Economy, for labor leaders, on the whole, are pragmatic in the extreme, allergic to "intellectuals," and notoriously resistant to new ideas. Yet the task is not hopeless. The Mixed Economy has long had a base in the union hierarchies—in the persons of many ex-Socialists, for example. The old Socialist Party is now no more than a minor educational society, but the union movement contains a number of former party members in positions of great power—such men as Walter Reuther and David Dubinsky, for example. Of equal significance, the New Deal experience made many other labor leaders vaguely sympathetic with the general Mixed Economy approach. All told, a number of large unions are led by men distinctly left-of-center in their background—the International Ladies' Garment Workers' Union, the Amalgamated Clothing Workers, the United Automobile Workers, the United Textile Workers, the National Maritime Union, among others. So far, the leaders of these unions have made little effort to sell their rank and file on the need for basic economic renovations, but their tactics may well change when a new economic crisis breaks over the country.

A much harder task confronts our Mixed Economy enthusiasts in the farm country, for there, as we have indicated, the liberal groups are so weak that the first job is to create the mass organizations capable of competing with the Goliaths of the farm bloc. ADA must get established in the countryside; the National Farmers Union should be reinvigorated and expanded; the A.F. of L's National Farm Labor Union (the famed old Southern Tenant Farmers Union) should be aided to enroll the millions of the agri-

cultural dispossessed; the farmers' independent political action groups, like the old Non-Partisan League, must be rebuilt. Our urban labor unions, more affluent now than at any time in their history, could do themselves and the farmers a great service if they helped finance liberal organization in the countryside.

The Mixed Economy movement, of course, must ultimately enlist the support not only of labor and the farmer but of white-collar workers, small businessmen, and professional groups. These strata can in some measure be reached through the consumer co-operative movement, through professional associations and various civic reform groups—in all of which our Mixed Economy zealots should undertake their Fabian chores. The trade unions, as well, may eventually become an important bridge to the middle class, for in recent years the unions have had increasing success in enrolling white-collar and professional workers. But inasmuch as functional organization is still very weak among middle-class groups, the task of winning their allegiance will to a great extent have to be left to the direct channels of electoral activity.

We come, finally, to the question of the political vehicle of the Mixed Economy movement. Before November 2, 1948, one could reasonably speculate that liberals faced two alternatives: attempting to take over the Democratic Party, or ultimately building a new third party. (It was of course clear that Henry Wallace's amalgam was not such a new party, for it was controlled by the Communists and thus incapable of promoting any species of democratic reform.) The election, however, proved not only how devoted the American people were to the two-party system, but so completely rehabilitated the Democratic Party as a whole, and its left wing in particular, as to guarantee the continued affiliation of the great mass of liberals and laborites. After the election, the prospect of a new party seemed more remote than at any time in the last two decades. Clearly, for some time to come, liberal energies would be concentrated on gaining greater influence in the Democratic Party.

Winning complete control is necessarily a long way off. For the effort to take over the Party apparatus would require the prior existence of the most powerful liberal organization, only the outlines of which are visible today. Such a drive would demand plentiful funds, strong caucus organization down to the precinct level, and the abundant support of all branches of the labor movement and of farm and middle-class groups. It would require, in short, an immense, broadly based ground swell of opinion marshalled on every echelon of the Party.

Already, however, the liberal elements are in a strong position for eventual success—for one thing, because of their alliance with the big city machines of the North. This alliance controls Party policy and Party machinery, despite the plaintive cries from the South. Of course, the liberalism of the Northern bosses, like any conviction prompted by opportunism, may well prove undependable over the long haul, as we have argued earlier. Liberals would be foolhardy to repose all their hopes on the endless indulgence of the Party professionals. But their present alliance gives them a sizable base from which to operate. As liberal strength increases within and without the Democratic Party, the weight of dependence can eventually shift—and the liberals can end as masters in the house in which they were originally uneasy guests.

Moreover, the 1948 elections vastly enhanced the liberals' standing within the Party. The Northern bosses are now much more beholden to the left than previously, because of the support of the trade union machines. The election greatly expanded the liberal bloc of representatives and senators. And for the first time, labor officials are generally regarded as acceptable candidates for office.

Two lines of activity must be pursued if the left is eventually to take over the Democratic Party. In the first place, the labor movement—the main energy behind any leftward movement—must get inside the Party. To date, as we have pointed out, it has largely functioned in its own organizations, on the periphery of the Party apparatus. This is enough to win campaigns, but hardly enough to

win Party leadership. While retaining the identity of its political action groups, labor must get into the Democratic Party district clubs, and in many cases organize its own; it must compete for county and state committee posts and for delegate assignments to Party conventions. In short, labor must become a full, active partner in the Democratic Party. And the ADA liberals should undertake the same effort; in some localities ADA is already a caucus within the Party, but in others it remains outside.

Such concentration within the Democratic Party would, of course, officially end the tradition of labor's nonpartisanship. It is difficult to operate as a caucus within one party and later endorse the candidates of another party, although even old-line politicians are occasionally guilty of this dereliction. But labor's nonpartisanship really died with the New Deal. There are always a few liberal Republicans who deserve endorsement, but for most of the past two decades the Democratic Party has been the channel for labor's aspirations. By and large the Republican Party has remained the party of privilege and property; it has occasionally indulged a restrained and cautious liberalism, exemplified by men like Willkie and Warren; but it has never been capable of any reform that even remotely threatened the prerogatives of wealth. And the Republican Party has been regarded in this light by most labor officials. Thus, ending the official pretense of nonpartisanship should involve no mountainous problems. The main problem is to persuade the mass of labor leaders to immerse themselves in politics, rather than merely dabble during election campaigns.

For the Democratic Party to become a thoroughgoing party of the left, labor and its middle-class allies must also devote a major share of their energies to the South. With the present distribution of liberal strength, the Northern Democratic Party could conceivably be pressured far to the left, but the Southern Democrats would remain a perpetual drag. Somehow, Southern liberals must gather strength to unseat reactionaries entrenched by the disenfranchisement of most of their constituents. A few recent victories

—particularly that of Estes Kefauver in Tennessee—provide hopeful auguries. It is clear, however, that there is no formula for quick victory in the South. Funds, trained personnel, a vast expenditure of effort are required. As diplomatically as possible, liberals in the North must lend their resources to the South. The alternative is to perpetuate the present imbalance of left-wing strength.

Thus the primary task of American liberals is to build their own organizations and push for leadership in the Democratic Party. When that task is accomplished, and when the next depression once again provides an opportunity for bold innovation, the advocates of the Mixed Economy can carry their program to the country with abundant confidence of success. We need not look to any new techniques in electioneering or in what the Communists call "agit-prop" to bring the movement to victory. The orthodox methods, as Roosevelt proved, are flexible enough to be shaped to the most unorthodox ends. What is decisive, however, is that the fundamental appeal of the Mixed Economy will be comparable to the old crisis appeal of Roosevelt: mobilization of all energies, revival of a wartime *clan*, against fear and timidity and inertia, against the absurdity of poverty in a land of abundance, against the depredations of the money-changers once more ensconced in the temple. It will be an appeal in the old tradition of American insurgence, militant, rhetorically flamboyant, undoctrinaire, blessedly self-confident and positive—a detailed program of action, a string of vivid metaphors, which even the simplest and most naive can grasp.

The Mixed Economy lends itself to this type of exploitation—in the way the New Deal did, and the old socialist creed did not. The Mixed Economy has many of the economic virtues of socialism, but few of its political and semantic drawbacks. It can appeal to a far wider audience. For one thing, the terminology is different: the Mixed Economy speaks in the language of middle-class liberalism, not in that of proletarian apocalypse. More significant,

its economic program favors the interests of a broader grouping of the population: with the area of socialization restricted to large-scale monopoly industry, the businessman who is truly competitive, even if he is not small, will not be destroyed. Indeed, in an economy where he is no longer subject to depressions, he may even become more prosperous. At first the point will doubtless tend to be lost on our free enterprisers, but in the end it may win through. The Mixed Economy thus gives the liberals a chance to split the ranks of their opposition.

Moreover, the partial nature of the socialization program should serve as a handy reassurance to the farmers—not that democratic socialism in any country has sought to nationalize the farms, but farmers will feel safer about their property if the government does not seek to gobble up all other private industry. And finally, the partial and decentralized nature of socialism under the Mixed Economy will appeal to the traditional western and southern mistrust of the economic suzerainty of the East, fully as much as it will be congenial to all Americans who fear the bureaucratic excesses of overcentralization. The Mixed Economy, in short, is a much more saleable article than the older dogmas of the American left—than either the sweeping socialism of the Marxists, which could terrify the corner grocer, or the single-shot panaceas, the Greenback, free silver, the single tax, which had only parochial appeals. The Mixed Economy does not offer all things to all men, but it lets everybody—except the economic royalists—into the club.

On that principle, the New Deal rolled up tremendous support. The Mixed Economy can evoke a similar response, if the times are propitious, its political organization adequate, and its preparations thorough.

## CHAPTER ELEVEN

# CONSERVATIVE COUNTERATTACK

AFTER the advocates of the Mixed Economy win power, the supreme challenge impends: Will power be used for the purposes mandated by the voters, or will it be dissipated, as so often has happened in the past, by a well-meaning government whose capacities are hardly equal to its pretensions? Will the administration, applying a radical therapy to our economic maladjustments, be able to withstand the strenuous counterthrust of its embittered and desperate opponents?

The issue may well be more difficult and more perplexing than any problem encountered on the road to power. For attaining office—an achievement which is by no means minimized—is still largely a matter of educating and organizing the electorate; but establishing a Mixed Economy of the sort previously outlined means nothing less than legislating a social revolution, an infinitely more difficult undertaking than winning an election campaign. Too few liberals realize this; disaster is the predictable issue of such innocence. It can be averted only if liberals take full and sober measure of the problems ultimately awaiting them.

Effecting a thoroughgoing Mixed Economy will be a feat of political and social engineering the magnitude of which has seldom been seen in this country. It will be an infinitely difficult undertaking, fraught with unsuspected dangers, bedeviled by a host of obstacles. It will be an undertaking, moreover, whose success cannot be guaranteed.

We have already argued the immense losses—in money, in power, in social status—which the Mixed Economy will entail for American big business. Our large capitalists have nothing to gain and, quite literally, a world to lose. It would be naive not to expect them to resist their demise with every power at their command, with every argument, every appeal to tradition and prejudice, every ruse and obstruction which unlimited resources and the desperation of the last chance bring to their defense. We can expect resistance and sabotage every step of the way, resistance all the fiercer and the more unrelenting once the voters have endorsed the Mixed Economy. For at this point campaign threats become actualities, rhetorical thunder becomes a legal bludgeon. The danger becomes acute; the defense no longer lies in an appeal to a wavering electorate. Stern weapons are needed.

These are the realities; in this area lie the basic problems of attaining a Mixed Economy; but this is the area which progressives normally shun, with a blitheness explicable only in terms of the endless capacity of the human animal to disregard the warnings of experience. For if we have learned anything from the travail of Social Democratic movements in Europe in the interwar years, it is that the titans of factory and countinghouse do not acquiesce in the withering away of their profits and prerogatives, they are no respecters of the electoral process if their opponents win the count, they are prone to use any weapon and any stratagem to defend their positions, they are even ready—when sufficiently agitated or hard-pressed—to sacrifice political democracy itself if the alternative is an economic democracy which jeopardizes their equities. And we have seen, as well, that progressive movements have been bowled over like duckpins because they overlooked the basic drives and loyalties and most abiding faiths of that "class enemy" which they were sworn to vanquish. They forfeited victory again and again because they persisted in misunderstanding and underestimating their opponents.

The vigor and cunning of capitalist resistance was equally

evident in the United States. Although the foundations of capitalist power were never threatened here as they were in Europe, our economic hierarchs fought any encroachment on their privileges with immoderate vehemence. They resisted, with close to complete success, any effort of the Congress to break up monopolies, for decades they neatly sidestepped the efforts of the states to legislate the minima of wages and working conditions, they fought the growth of the labor movement with savage intensity. In the running battle between our legislative reformers and our sovereign captains of industry, the latter carried off most of the prizes from the time of the Civil War until the New Deal. On the side of the economic royalists, it was a battle without illusion or quarter. They invariably brought into play the full charge of their artillery—the nation's top legal talent, the thunder of the mass-circulation press, the lure of the slush fund, enough to buy, sell, and barter complaisant politicians.

The resistance of financiers and industrialists reached an emotional peak under the New Deal. It was a resistance that was frustrated, to be sure, but the intensity of the psychic distress in country club and brokerage house—an intensity that found expression in an amazing scatological outpouring against the occupant of the White House—was a disquieting portent of what might occur when an attack would be launched against the mainsprings of capitalist power.

It is nonetheless true that, despite the vehemence of their resistance, our economic ruling groups have sustained sizable defeats in the past: the income tax was legalized, the use of injunctions withdrawn in labor disputes, the right of collective bargaining sanctioned by law, certain monopolies—including the aluminum, one of the strongest in America—were broken up. In their time, all these measures provoked passionate conflict, cascades of denunciation, avowals of resistance-to-the-death—and yet, apart from a few significant fissures, the fabric of social peace was not broken, the fundamental loyalty of all groups in our society to the

democratic forms survived every joust. The transition from *laissez-faire* to the service state was never serene, but it was, on the whole, peaceful. Cannot this achievement be repeated when the issues involved in the Mixed Economy become the order of the day?

No definite answer is possible, but it is necessary to recognize that the Mixed Economy would involve a far more basic reordering of our economic life than any of the reforms instituted since the Civil War. The renovations of the New Freedom and the New Deal affected the economic fruitage, not the subsurface roots of the structure. The organization of labor, made infinitely easier by the Wagner Act and by the earlier Norris-LaGuardia anti-injunction law, certainly affected the economic power-balance, but did not trespass on either capitalist control or profits. Similarly, the regulation of wages and hours, the insistence on healthy working conditions, the provision of insurance for industrial accidents all affected the distribution of profits, but did not touch the right of employers in any particular industry to own enterprises and to make profits. Finally, legislation which did reach down to the mainsprings of economic power—trust-busting, largely—was usually rendered ineffective by business maneuver and by court action.

Thus past reforms, and reformers, did not call into question the basic structure of capitalism. Apart from the Socialists, who were never more than a rhetorical threat to the *status quo*, our political parties have been united on the fundamentals of economic and social organization. Even the occasional insurgent Third Parties—the Populists, the Bull Moosers—differed only in how they would treat the maladies of capitalism, but were as one in their devotion to private enterprise. This agreement among the parties reflected, of course, the fundamental allegiance of the majority of people of the country. Since the Civil War, competing economic and political dogmas have not grown up around the different classes in our society; the working class has not viewed

its salvation as lying in a social order fundamentally different from that which claimed the allegiance of the employing class; unlike Europe, we have never had a Socialist party vying for power with a Capitalist party.

In view of this agreement, it is not surprising that social peace has been maintained, that endless arguments have been adjudicated within the bounds of reason. Indeed, the surprising thing, in view of the basic conjunction of beliefs, has been the amount of occasional and peripheral violence which did occur—in labor disputes, mostly. For men whose fundamental rights have never been seriously threatened, America's economic royalists have been prone to exceedingly vigorous defense.

Once a movement pledged to the Mixed Economy is in office, the day of harmony on first principles will truly be over. For the Mixed Economy, as we have indicated earlier, involves a degree of public ownership of industry which (at least to the private owners whose properties will be at stake) is as repugnant as full-blown socialism. And these private owners, in the main the chief monopolists in key industries, are the dominant figures in America's industrial life, the men who set the pace, shape the views and mores of the business community. In a Mixed Economy boasting a public and a cooperative sector as sizable as the private sector, they view the end of future profit and the end of unbridled power. Indeed, they sight these distressing prospects even before the matter of socialization is broached: they regard the drive on monopolies and the government's control of the fiscal mechanism as in themselves a serious offensive against profits and a harbinger of the dread nationalization to come.

The extent to which the previous concord on fundamentals is likely to be shattered thus becomes clear. Now economic class lines may largely become political class lines as well, and men will no longer view the democratic state as a free forum for the settlement of relatively minor differences, but as both bastion of

property and spearhead of the assault on it. The cleavage in men's views on government policy will have become so basic as to put to a severe test the tolerance and flexibility on which the functioning of democracy so largely depends.

The situation has an inherent explosiveness which cannot be blinked. On the one hand, a militant administration, brimful with enthusiasm, eager to reform and renovate in all directions. And on the other, a querulous business community, shorn of political power, bewildered and reproachful of an electorate seduced by demagogues. Either way the contest in political power goes will have a decisive effect on our social structure. If our Mixed Economy administration is successful, the locus of economic power will have been shifted as decisively as was the case during the Civil War. If the administration is frustrated, the progressive groups will have suffered a calamitous defeat. The stakes in the conflict have seldom been as high.

Many elements in the situation properly give cause for concern. Our democratic heritage in many areas of public life seems skin-deep rather than visceral—such phenomena as poll tax elections, the white primary, police repression against minorities, the ease with which the lower courts have often overlooked the guarantees of the Bill of Rights. There is, too, a tradition of uninhibited violence in American life—lynchings in the South, the tar-and-feather treatment for the union organizer, the vigilanteism of the West—which bode ill for social peace in periods of great crisis. Nor can we forget that the fear and resentment of the business community may lead certain groups into irrational adventures which, if successful, can only result in pyrrhic victories—we have seen what subventioning Fascist movements achieved for big business in Europe.

The explosiveness of the situation is likely to be increased by the existence of depression. The new government will be spurred to quick action to relieve economic distress; that very distress, plus the threat of precipitous action, will do much to exacerbate

the fears of the business community. And those fears, unfortunately, will have received abundant nurture in the endless spate of propaganda directed against the Mixed Economy; the new movement, the country will have been warned a thousand times over, will spell disaster, will write the end of the American dream; these forebodings will gradually take on reality even for the men who, at first, perhaps synthetically created them.

It is of course impossible to predict whether the ensuing struggle will be confined within the legal forms; the only certainty is that the Mixed Economy program will encounter dogged resistance. Again, it is not possible to foresee with exactitude the forms which that opposition will take; we can only analyze the various possibilities open to conservative groups. Roughly speaking, bitter-end resistance can occur in the Congress, in the judiciary, and in the government bureaucracy; it can take the form of various kinds of economic sabotage; it can find expression in extralegal methods—the creation of a fascist movement, and even a military coup directed against the government.

The easiest and most immediate form of resistance is Congressional obstruction. The archaic rules of House and Senate have grown so familiar that we perhaps overlook the endless sabotage they can cause in a crisis. They were not invoked the last time a progressive administration took office amidst a grave emergency. Nonetheless, the Southern Democrats possessed the same obstructive powers in 1933 as they did in the later years of the Roosevelt regime. In the early days, they merely refrained from exercising them; they were as intimidated by the economic distress of the country as were their more liberal colleagues. However, nothing in Roosevelt's program promised any far-reaching changes in our economy, any fundamental shift in the balance of domestic power. The Southern conservatives could be reasonably serene about swimming with the legislative tide; later, when the crisis passed, there was plenty of time for resistance.

The same development cannot be anticipated when our Mixed Economy government starts to legislate its program. Inasmuch as a depression will probably be underway, the same pressure for speedy recovery will exist as in the dark days of 1933. But it will be apparent to everyone that reviving the economic machine will only be preliminary to some major repairs; recovery will soon be followed by drastic reform. And, doubtless, with little time lag between the two. In such a situation, conservatives may obstruct recovery measures.

In directing their legislative campaign, they will be entrenched behind strong bulwarks, the traditional procedures of House and Senate. Of prime importance is the rule of seniority in determining committee chairmanships, a system that confers tremendous powers on Southern conservatives whenever the Democratic party controls Congress. The system is absurdly simple in operation. When a new Congress is organized, the dominant party gets the chairmanship and the majority of members on every committee; the chairmanship devolves on the majority party member with the longest service; in case there are two or more members with the same tenure, recourse is had to the alphabet to determine who gets the post. In the whole process no consideration is given either to ability or to the specific views of the candidates.

The Southerners emerge with most of the prizes for one obvious reason: Northern Democrats come and go with the political tides, but representatives of the one-party Solid South are often returned in successive elections until their death or retirement, regardless of their party's fortunes in other parts of the country. Permanent tenure is normal for the representatives of the poll tax states, who are elected by as little as ten per cent of the voters. And these men, who pile up the greatest seniority, are generally the most conservative.

Committee chairmen have immense powers in the consideration of pending legislation—in determining what matters to take up, in allocating time for the study of specific measures and so on. A

chairman can easily squash legislation which he disapproves. As Kefauver and Levin point out in *A Twentieth Century Congress*: ". . . a chairman can at many stages of the consideration of a bill in committee still exercise virtual veto powers, by 'sitting on a bill' or 'carrying it around in his pocket.' Some years ago, when Representative Philip P. Campbell of Kansas headed the House Rules Committee, he was dubbed by his enemies the 'Walking Pigeonhole' because of an alleged habit of stuffing important bills into his inside coat pocket and carrying them around until the session ended."<sup>18</sup>

Until recently, the impact of Southern conservatives was most significant in the case of the powerful Rules Committee, which they usually control—in alliance with the Republicans—in Democratic Congresses. The Rules Committee, in regulating the flow of legislation between the other committees and the House floor, determines what bills are to be debated, how much time will be devoted to them, and even the manner in which they will be considered—whether amendments are to be allowed, for example. Oftentimes, a measure to which the conservative majority of the committee objected was kept permanently from the House floor. The 81st Congress, however, broke the dictatorial power of the Rules Committee.

In the Senate the major threat to progressive legislation is one which has often been employed: the filibuster. The right of unlimited debate is of course the right of any individual senator to thwart the will of the majority of his colleagues. All a senator or a group of senators need to do is get the floor and hold it indefinitely, thus preventing consideration of any pending legislation. To retain the floor, the obstructionist senators have only to keep talking—the subject of their discourse matters not at all. It usually has nothing to do with the bill formally under discussion. In one of the most famous one-man filibusters on record, in 1935

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Huey Long kept going for a total of fifteen hours. He read the Bible, regaled the galleries with his favorite recipes, told stories, thundered denunciations down on the administration. His orating continued until his voice and feet gave out; he had only one short respite for a quorum call.

When a group of senators put on a filibuster, they can carry on for days and weeks—each senator takes his turn on the floor, yields to a colleague when he gets tired. In 1946 a group of Southern Democrats filibustered for a total of eighteen days, finally forced the Senate majority to withdraw the bill to establish a permanent Fair Employment Practices Commission. The Southerners have regularly throttled anti-poll tax and anti-lynching bills by the same device.

In the case of one-man filibusters, the majority of senators can break the talk marathon by remaining in continuous session, sleeping in the cloak rooms and going into the chamber to answer quorum calls; eventually their offending colleague is reduced to exhaustion. Theoretically the Senate has long had a weapon against a mass filibuster: a two-thirds vote closed debate. Since the cloture rule was adopted in 1917, it was successfully invoked four times, in several other instances, the majority could not muster enough votes. Often senators who favored the legislation being blocked would not vote for cloture. They were reluctant to establish a precedent which at some future time might boomerang. Moreover, it was not possible to invoke cloture against all types of filibuster. A new rule, however, was adopted in March, 1949. Cloture can now be applied in all debates except one to change the Senate rules. But it now takes a vote of two-thirds of all senators, not merely two-thirds of those present. Cloture remains as much a hope and a dream as it has ever been.

It is clear that until the filibuster is outlawed, this lethal tactic will be a continual threat to legislation aiming at radical changes in our economy. Without becoming alarmist, can we not reasonably expect that senators who will hold up all pending legislation to

kill a federal FEPC will be equally vigorous in scotching a bill to socialize the steel industry? Further, can we not anticipate—merely on the basis of past experience—that conservatives in both houses will interpose every possible legislative obstruction to a Mixed Economy program driving far beyond the abhorrent New Deal legislation? In the end, the minority groups may not be able to throttle the new heresies, but they have the power to delay their enactment endlessly. And in a crisis, perhaps a desperate economic impasse, the power to delay may be the power to kill.

In the long run, of course, progressive congressmen could reform the procedures in both houses—in what manner will be suggested in the next chapter. The Supreme Court, however, poses an even more serious danger, for the Court wields powers of obstruction far greater than those possessed by minority groups in the Congress—powers exercised with a vigor and a frequency that have made them a fundamental problem many times in our history.

Judicial supremacy has been a peculiarly American contribution to the art of democratic government, but the economic function of the Court is as old as democracy and capitalism. For in just about every democratic country the financial overlords succeeded in rearing some governmental safeguard against popular pressures, some bulwark in the structure of the state which could stand as a final obstacle to the will of the majority: in France before the war, it was the Senate; in Britain, the House of Lords. In the United States, the Founding Fathers tried to checkmate the 'ower classes through a second chamber whose members, by virtue of being indirectly elected, would likely always be men of property. The scheme did not work out entirely as planned. Senatorial election was eventually reformed, but long before that the Supreme Court had acquired powers that made the Senate's function less urgent.

The opening moves by which the Court assumed its role were perhaps accidental; but the role itself answered the deepest needs of an expanding capitalism; hence the elaborate development

which judicial supremacy underwent. Thus, in 1803, the occasion may have been fortuitous when Chief Justice Marshall first asserted the right of the Supreme Court to declare an act of Congress unconstitutional; it was less fortuitous, no doubt, that in succeeding years the judges kept reaffirming that right (what organ of government wants to abdicate a new-found power?)—although they did not invoke it again for a long time; but chance played no part in the Dred Scott decision of 1856, when Chief Justice Taney used the Court's power to discard the Missouri Compromise. For the question of controlling the spread of slavery was an issue that divided the country and Taney was committed to the side of the South; in an issue of that decisiveness, he who holds the supreme weapon uses it.

Lincoln severely castigated judicial usurpation in his inaugural address, later solved the problem during the Civil War by disregarding the Court. Grant packed it with two new justices, in order to secure a reversal of an earlier decision nullifying the law which made the Civil War greenbacks legal tender. Although the executive won these two battles, there was no longer any doubt that the personal views of the justices would be powerful factors in future political struggles.

And so they were. These personal views, in the main, were highly conservative ones—an understandable phenomenon in view of the fact that the judges owed their appointments to the chief executives, and for most of the time our chief executives were staunchly ranged on the side of the big money. When a liberal president did succeed a conservative one, the conservative court majority, enjoying life tenure, still remained. And so it was that beginning in the 1890's—when cut robber barons began to feel the full weight of popular resistance to their rule—the Court became the most potent defender of the rights of property. It voided the federal income tax, necessitating a Constitutional amendment. It made effective utility rate regulation next to impossible. It struck down innumerable state laws designed to improve

working conditions and prescribe minimum wages and maximum hours. For a decade it virtually nullified the Sherman antitrust act, thereafter placing additional obstacles in the path of the trust-busters.

Indeed, on almost every major issue where the legislatures of state and nation sought to keep a power-mad, irresponsible capitalism within humane bounds, the Supreme Court stood in the way. Its obstruction made it an issue of great contention in the administrations of Lincoln, Grant, Cleveland, the first Roosevelt, Wilson, and the second Roosevelt.

We have abundant reason to fear that the next great upsurge of reform legislation—comparable in novelty to the New Deal measures but going far beyond them in their impact on the economy—will again encounter rigorous resistance from the Court. True, the Court has been reformed since Mr. Roosevelt had his troubles with it; the justices now share the main tenets of the New Deal philosophy. But we still have credible cause for anxiety. For one thing, the measures necessary to effect the Mixed Economy will be more radical than the New Deal legislation and hence may raise constitutional issues not involved in the earlier imbroglio. More important, it is impossible to predict the composition of the Court under a government pledged to the Mixed Economy. Before that potentous day arrives, some of the present liberal justices may retire and may conceivably be replaced by men of a more conservative bent. (Such replacements may even occur under a liberal administration; Mr. Truman, after all, has appointed conservatives to many departments of government.) A Mixed Economy administration may eventually confront the same type of Supreme Court resistance that plagued Mr. Roosevelt from 1935 to 1937.

To envisage the dimensions of a future conflict between the executive and the Supreme Court, it is useful to recall the history of the last crisis.

It was a little slow in getting underway. The first year of the

New Deal ended without any untoward sign from the Court. In 1934, prospects for the spate of New Deal laws began to look positively good, for the Court upheld two acts of state legislation—the Minnesota State Mortgage Moratorium Law and New York State's Milk Control Law—which derived from a New Dealish philosophy of the government's responsibility for the economic and general welfare.

The next year, however, federal legislation based on the same constitutional considerations reached the Court. And then the axe fell. In May, 1935, the justices nullified the National Industrial Recovery Act. Inasmuch as the NRA had already proved a failure, killing the Act was less significant than the reasons adduced in justification. Not only were the code-making sections of the Act held in violation of our constitutional separation of powers—an oversight that could have been corrected by additional legislation—but the decision voided the Act's wages and hours provisions on the ground that these matters did not affect interstate commerce in the sense intended by the Constitution. Here the language of the decision became so sweeping as to rule out any future federal legislation regulating the national economy. It was a crushing defeat for the New Deal.

Conservative groups, which had long cherished the Court as the last bulwark of the American Way, were understandably jubilant. Liberals were outraged both by the implications of the verdict and by its undeniable capriciousness—for the Court had enough "broad" as well as "narrow" past interpretations of the interstate commerce clause from among which it could have drawn precedents for an entirely different view of the NRA.

After the NRA decision came the deluge. In January, 1936, by a 6-to-3 decision, the Court invalidated the Agricultural Adjustment Act. In March the Court nullified the Guffey Coal Act. Then the incredible happened: in May the Court, by a 5-to-4 vote, voided the New York State minimum wage law for women. The decision was remarkable because in previous cases—NRA, Guffey

Coal Act—the Court indicated that wages and working conditions were matters for the individual states to regulate. Now the states were also found to be lacking in this prerogative. The governmental power was thus neatly boxed. Both state and nation were helpless and the brave and exuberant New Deal "revolution," so confidently proclaimed back in 1933, had been shattered.

President Roosevelt denounced the Court when the NRA decision was handed down: in interpreting interstate commerce, the judges had gone back to the horse and buggy days; the NRA decision was probably the most important since the Dred Scott case—and that helped precipitate a civil war; the Court had provoked "the biggest question that has come before this country outside of time of war."

The President's blast loosened a torrent of criticism from conservative editorialists, Liberty Leaguers, stand-patters in Congress, the law, and business. The President had dared question one of the most sacred myths in American folklore: the impartiality and infallibility of the Highest Court. In the popular consciousness, the justices had no economic or social predilections, merely a scientific capacity, encased in the most awesome morality, of determining what measures passed the Constitutional test and what ones did not. Perhaps intimidated by the violent reaction, the President thereafter bided his time, but his followers continued the assault. They dissected the social history and economic biographies of the Court majority, popularized the judicial facts of life: most of the justices had been seasoned in the service of the financial hierarchy before ascending the highest bench. Their training, their deepest allegiances both personal and philosophic, all nurtured an economic and political viewpoint completely antithetic to the New Deal approach; it was quite understandable, however deplorable, that these predilections led most of the justices to embrace the precedents and technicalities which rendered the New Deal legislation unworkable.

The prestige of the Supreme Court was at its nadir when, on

February 5, 1937, President Roosevelt sent his "court-packing" plan to Congress. Pleading the heavy work load on the Court, the infirmities of age, the need for new blood, the President asked the power to appoint a new judge for every septuagenarian who failed to retire. Roosevelt, however, made no criticism of the Court's decisions, as he had two years before.

The indirection—indeed, the disingenuousness—of the President's approach created more difficulties than his plan would normally have encountered. Many liberals who favored court reform opposed the scheme; others, who would have been enthusiastic for an honest, forthright attack, were tepid in their support; equally important, the transparent insincerity of the President's arguments made it easy for conservatives to fan popular fears of executive usurpation even more disquieting than previous fears of judicial usurpation. In the end, the President shocked a good many citizens, sundered his own supporters—but also jarred the Court into a sudden realization of how untenable its position had become.

Although the President failed to get his plan adopted, the Court hastened to reform itself—by the simplest possible expedient: it reversed itself. The first development was the most dramatic. The previous June the New York State minimum wage law for women had been declared unconstitutional because it violated freedom of contract; the vote was 5 to 4, with Justice Roberts voting with the majority. In March a similar law enacted by the State of Washington was declared constitutional; liberty, due process, freedom of contract were now found to be unimpaired; the reversal was made possible by the simple fact that Justice Roberts changed his mind between June and March and switched his vote.

That same day, March 29, 1937, the Court upheld the rewritten Frazier-Lemke Act, the National Firearms Act, the amended Railway Labor Act. In April the Court gave its blessing to the Wagner Act—giving a broad interpretation to the power of the govern-

ment to regulate interstate commerce—and in May it sanctioned the Social Security Act. After the Court term was over, Mr. Justice Van Devanter resigned, allowing President Roosevelt to make his first appointment to the highest bench. Successive appointments in later years insured that new, younger, and more liberal blood would snake the Court's revolution stick—at least for the duration of the Roosevelt regime. Good fortune had rescued the New Deal and brought the country through its worst constitutional crisis in several decades.

But although the Court revolution was a profound and far-reaching one, it was a revolution in personnel and judicial philosophy, not a revolution in the methods and powers of the justices. And a revolution that merely places one group of men with another, and one set of theories with another, without changing the institutional structure, is a revolution that may have to be repeated many times in the future.

As Robert H. Jackson pointed out in 1941 in his volume, *The Struggle for Judicial Supremacy*: "At the moment the Supreme Court is, in general outlook, the most liberal of any court of last resort in the land. Satisfaction with its present attitudes, however, must not obscure the fact that the struggle has produced no permanent reconciliation between the principles of representative government and the opposing principle of judicial authority. The Court has renounced no power and has been subjected to no new limitation. . . . Another generation may find itself fighting what is essentially the same conflict that we, under Roosevelt, and our fathers under Theodore Roosevelt and Wilson, and our grandfathers under Lincoln, and our great-grandfathers under Jackson, and our great-great-grandfathers under Jefferson, fought before them."

Lincoln by owing under the Court, Grant by packing it, Franklin Roosevelt by threatening to pack it solved the issue in their time. But the problem and the danger to a new radical democracy still remain. The Court may show itself as righteously

obstinate about a scheme to nationalize the coal industry as the 1935 Court was about the NRA. The administration, having pushed its legislation through Congress, may then face a judicial counterrevolution as devastating as the onslaught which overwhelmed the New Deal. And this time the chief executive will doubtless be unable to scare the Court into acquiescence—for the issues in the new conflict will be far more momentous than those which divided the country in 1935-37.

The obstruction of minority groups in the Congress and of a conservative Supreme Court do not exhaust the governmental obstacles which can block an administration seeking to fulfill a radical program. There is always the danger of bureaucratic sabotage.

The chief executive, of course, has wide appointive powers; and a change in administration is usually reflected in a change in policy-making officials. The execution of policy, however, is normally in the hands of permanent officials—either persons who enjoy civil service status, or appointees who technically serve at the pleasure of the executive but whose experience is so extensive and technical knowledge so great that any administration is loath to part with their services. Now, the execution of policy is presumably a neutral, objective undertaking in which the personal preferences and political convictions of the executors do not count. In practice, as everyone knows, this is not the case: however explicit the directives, however confining the red tape, lower-ranking officials often have considerable latitude in interpreting the policies which filter down through the bureaucratic hierarchy. This flexibility is necessary for efficient administration, but it also allows policy directives to be disregarded, perverted, or covertly sabotaged. The men who implement policy often make policy, and if they are out of sympathy with the aims of their chiefs they can wreck the most carefully conceived programs.

Wartime Washington provided many examples of how topside

policies were obstructed by dollar-a-year men called in by the government to help direct the defense program. To mention just two examples: subcontracting of production to small manufacturers was the official policy, yet resistance to the campaign in the service procurement offices and in the lower reaches of the civilian agencies made it fall far short of its possibilities. The big boys wanted all the business and all the profits—even if it meant delaying the production program. Similarly, our defense chiefs went all-out in urging increased production of basic materials; the delegates of the aluminum monopoly discreetly sabotaged the program. They did not fear shortages that would hobble the war effort, but they did fear excess capacity after the war.

During the Roosevelt administration, the State Department provided innumerable illustrations of how bureaucrats serenely go their own way despite the express instructions of the chief executive. Perhaps the most blatant case was the manner in which, for eighteen months after August, 1942, the State Department obstructed the administration's efforts to rescue Jews threatened with extermination in the Nazi crematoriums. Henry Morgenthau, Jr. detailed the heart-breaking story in the November 1, 1947, issue of *Collier's*: how State first killed time, insisted on endless consultations, how it then secretly tried to shut off the flow of disquieting reports reaching the United States from Europe, in order to dampen public pressure for action; how for five months in 1943, using every excuse for delay, State held up a license for the transfer of privately raised funds to Switzerland—a precondition to the rescue of 70,000 Jews in France and Rumania; and how, finally, the whole refugee problem had to be removed from the State Department's jurisdiction and entrusted to the independent War Refugee Board before any effective action was possible.

Bureaucratic obstruction—because it is discreet and covert and can do untold damage before it is detected—may become as great a danger to a Mixed Economy administration as the minority

bottlenecks in Congress or the resistance of a conservative Supreme Court. Indeed, it is likely that the Mixed Economy program, involving a clash of ideologies more basic than previous divisions among our civil servants, may be met with a degree of bureaucratic resistance far greater than that which President Roosevelt ever encountered in the State Department or the defense agencies. This resistance can ultimately be overcome by a determined executive; the danger lies in not anticipating it, and hence not planning for it.

So far we have merely discussed the purely governmental obstacles—in the legislative, judicial, and executive departments—which conservatives may throw in the path of a radical administration. But it would be naive to expect conservative resistance to be confined to the government; the likelihood is that it will spill over into the economic arena. Here the business community has its weapons close to hand; it has a broad field for maneuvering; its strategies are easy to set in play where they are not, indeed, automatic. And the damage resulting from economic sabotage can be immense.

Such sabotage may be both spontaneous and contrived, with an indistinct line of demarcation between the two forms. To take up the former species first: it is only normal to assume that a governmental commitment to the Mixed Economy will be followed by a spontaneous "loss of confidence" through wide reaches of the business community. Businessmen, particularly big businessmen, will be assailed by an understandable fear of the future; if their properties are marked for socialization, they are likely to be completely depressed over the prospects of the American Way; if they are to be spared the long arm of the government, they may be apprehensive about its sudden intrusion at some later, unheralded time.

Despite promises about the retention of a free private sector in the economy, there will probably be general anxiety about the

future course of a government considered demagogic and untrustworthy; there will be a fear of state competition, a fear of big taxes, a fear of huge wage demands from the trade unions, a fear of profit losses. Some of these fears may be well-founded, others groundless—both types will be equally significant, to the extent to which they make the owners and managers of industry bearish rather than bullish about business prospects. For if, no matter what the reason, the business outlook appears cloudy, businessmen will be inhibited in those expansionist urges so necessary to keep the economic machine running at a decent pace. Inventories will be reduced rather than increased, new investment will diminish, capital repairs will be deferred, the stock and commodity exchanges may tumble—the latter a factor of incalculable psychological importance in further increasing the loss of business confidence.

Business confidence—its accretion and its eclipse—is no nebulous quantity in the economic equation, although it does not lend itself to statistical computation. Its disappearance, at the onset of a depression, helps explain why a depression gets worse; its lurid reappearance, on the upswing of the business cycle, helps explain why an inflationary surge can reach heights against which every dictate of reason and past experience commands. The effect of the ephemeral confidence of businessmen is thus seen in every depression and every boom; we have half a hundred past testaments to its importance. Formerly, however, the arrival and departure of business confidence was in response to economic hopes and fears, tremors and exultation; in the future, when a government pledged to the Mixed Economy is in Washington, business confidence is likely to respond to political hopes and fears. The important point is that the impact on the economy will probably be as profound.

That impact is something which the strategists of the Mixed Economy must ponder. For if the accession to power of radical administrators leads to a widespread loss of business confidence,

the success of the government's whole project may be imperiled at the outset of its career. A left government cannot long retain the loyalty of the voters if its grandiose pronouncements are swiftly followed by unemployment.

Now it may be that whatever loss of business confidence occurs will not cause a sufficient decline in economic activity to threaten the government; but the loss of business confidence can still be an economic and political factor of prime importance, for it may be supplemented by a less spontaneous and a more carefully planned type of economic sabotage.

This sabotage could take the form of a conscious and concerted disinclination on the part of numbers of big investors—banks and business firms as well as individuals—to plow their profits back into industry. Our money men could board rather than invest their liquid funds, go on a virtual "sit-down strike of big capital." The goal of such a strike would be a degree of economic crisis sufficient to force concessions from the federal government—concessions that might, perhaps, involve indefinite postponement of the nationalization program. By throttling new investment, the business community could hold a gun to the head of the administration.

It would be an expensive and an unparalleled course for businessmen to take, and many liberals may doubt their willingness to risk it. They would certainly be flouting their deepest instinct: the impulse to make profits. Never in the American past has industry resorted to this tactic. Despite bitter hatred for Roosevelt and all his works, despite the most fervent political opposition, no evidence indicates that businessmen ever sat on their hoards in order to retard recovery and win a political decision. At the time of the 1937 recession there were a lot of accusations about a strike of capital but the evidence indicates that it was the curtailment of government spending, rather than the collusive reluctance of large business to invest, that caused a slump.

The future may tell a different story. The New Deal reforms,

as we have suggested, never involved a radical transformation of the economy; the threat to business was never grave enough to warrant the losses and the risks that an investment blockade would have involved. The Mixed Economy, on the other hand, envisages a basic displacement in economic control; a popular triumph for its advocates would be the greatest threat to monopoly industry since the great trustifications of the 'go's; big business would have every incentive to sustain whatever losses, undertake whatever risks necessary to restrain the government.

We must remember that in Europe, where the struggle between business interest and community welfare has often been more critical than in this country, a capital strike has been no rarity. It usually took the form of a flight of capital far beyond the borders of the offending country. The motive was both defensive and offensive. Capitalists wanted to protect their hoards against the ravages of economic innovation but they also sought to weaken the economic foundations of their home country. In the interwar years France provided the best example of this tactic: the flight of capital imperiled Blum's government throughout most of its tenure and finally caused its demise. There is no reason to suppose that American capitalists, when faced with a threat which they regard as decisive, will not throw their economic weight around in a similar fashion, though it is doubtful whether they will export much capital (after all, there are only a limited number of safe places left to send it).

The important question is not what manner of economic sabotage American business has undertaken in the past as what it may be in a position to do in the future, when faced with sufficient provocation. It is of course nonsense to suppose that thousands of big investors will ever get together in gatherings open or secret to plot the downfall of a popularly elected government, nor can we suppose that any select committee of leaders will be able to commit the entire business community to any one course of action—particularly one which jeopardizes present profits

in hope of future political gain. A large-scale strike of capital will hardly work that way at all. What, however, is possible is concerted action on the part of a few dominant financial groups, which will be paralleled by—and which in turn will reinforce—a general decline of investment caused by that spontaneous loss of business confidence analyzed earlier.

Such a carefully planned, well-executed withdrawal of new investment funds is possible because of the high degree of control exercised by a few business firms over wide stretches of American industry (a phenomenon which was discussed in Chapter 2). This concentration of control, even where ownership is diffused among tens of thousands of stockholders, vests great powers in a relative handful of men. These are the men who, if they so will, could throw the brake on the whole economy—not for long, perhaps, but long enough to do incalculable harm.

If just two or three of the eight "financial interest groups" which control nearly half of the 250 largest corporations were to hoard their capital, postpone plant improvement, delay new investment, their action could soon have a stultifying effect on the whole economy, particularly since it would doubtless be combined with freely given advice that businessmen had no reason to feel confidence over the future of their profits or of their country.

Again, it is important to emphasize that this train of events has never before occurred in this country. But it could happen. The financial power is there to make it happen, if just a few individuals will it.

Our wartime experience did furnish abundant evidence of how the decisions of a few highly placed individuals can affect the economic destinies of the entire nation. For many long months after the defense program began, the steel industry—operating through its friends and unofficial delegates in the defense agencies—blocked any sizable expansion of capacity. Motive? The steel magnates were afraid of taking a loss on unused capacity after the war. As a consequence, they kept insisting, in the face of alarming

evidence to the contrary, that the industry had all the capacity necessary to take the defense program in its stride.

In one of the biggest fiascos of our war planning, Gano Dunn, a consultant for U.S. Steel before he became a consultant for the government, prepared a report in February, 1941, which showed that we happily faced a surplus instead of a shortage of steel; the industry could not contain its glee. Unfortunately, in May, Mr. Dunn was forced to revise his estimate—the previous surplus of over 10 million tons had now become a deficit of 1.4 million. (Other authorities, not connected with the steel industry, insisted it would amount to over 15 million.) Then, in June, Mr. Dunn resigned, and the Office of Production Management informed the sorely distressed industry that it wanted an annual expansion of 10 million. So the story had a happy ending. Unfortunately, the sabotage of the steel companies had caused a delay of around nine months, an excellent example of how much public power can be wielded by a few private business firms.

An even better illustration of how business—under certain circumstances—will intrigue against government was provided by the refusal of the aviation industry, from May to October of 1940, to manufacture military aircraft until it had been granted generous tax concessions. The aviation companies were willing to consult on plans, talk over contract details, get the contracts awarded to them by government; but they would not sign and they would not produce until Congress repealed profit limitations on contracts and allowed a five-year amortization plan for new plant construction—i.e., each year subtracting 20 per cent of the cost of new construction from the profit on which taxes are levied. By this latter provision, the government made the companies a gift of almost brand-new plants by the end of the war.

In its whole campaign, the aviation companies were running interference for the rest of American industry. When they had exacted their demands, they agreed to work for the government. The motive, of course, was strictly financial, not political. But

what business can concert to do for financial reasons it may later do—in another and a greater crisis—for political considerations that mask the deepest financial motives. Therein lies the danger for an administration pledged to eliminating the strong points of business privilege.

The same concentration of business control which makes a strike of capital so grave a threat places an equally dangerous weapon at the disposal of big business: the power to provoke a degree of labor unrest that will imperil the economy and, conceivably, intimidate the government. By a refusal to bargain in good faith with the trade unions, industry could precipitate an endless series of strikes and lockouts. For such a tactic to be successful, it would not be necessary for a majority of employers to become obstreperous—any more than a strike of capital has to enlist the conscious collaboration of the majority of investors. It would be sufficient for just a few key concerns, in just a few key industries, to sabotage bargaining negotiations; the result would be enough labor turmoil to shake the country.

No great exercise of the imagination is needed to envisage the effect of a strike in steel, or in coal, or railroads. With these basic industries at a standstill, or merely slowed to an ambling gait, the impact on the rest of the economy would be crippling. The full effect might take weeks to be felt, but the threat of economic crisis would loom as soon as the men banked the blast furnaces or walked out of the pits. And the threat of disaster would appear all the more imminent because of the emotionalism a conservative press would doubtless inject into the issue.

As for the owners, their public animus would probably be directed against the impossible economic demands of the unions, rather than against the political goals of the government. This would immeasurably strengthen their public relations position: in effect they would be placing ever more severe political pressure on the government while denying any such intention. They would

leave it to the newspaper and radio editorialists to point out to an uneasy public that a government bent on the destruction of free American business hardly creates an atmosphere conducive to successful collective bargaining.

A synthetic labor crisis would be a dangerous device, but an eminently practical one—a tactic a great deal easier to set in motion than a strike of capital, for the decision on the part of a board of directors to resist the demands of labor has all the weight of tradition behind it, something that cannot be said of an investment blockade. In addition, a labor crisis could probably be created by even fewer groups than would be required to make a capital strike effective—a strike in three or four of the largest steel concerns, for example, would threaten stoppages in every manufacturing industry dependent on steel—and that includes nearly every segment of the economy. What might well happen, of course, is that our largest corporations would lead the way—out of a conscious, well-planned effort to discredit the government—and that a good many other business groups, not in on the original plans, would follow along, operating on the basis of an understandable desire to curb the power of the unions.

The tactic is a desperate one, for it forces responsibility on the government to act quickly in a crisis that will develop with greater speed than a strike of capital. The leaders of industry might reasonably fear, of course, that overwhelming the government with a tremendous sense of urgency would lead it to innovations not contemplated in its original program. On the other hand, big business may feel that in peacetime the restraints on rapid government action are so great as to force the administration to compromise on the employers' terms in order to avert disaster; Washington will simply not have time to improvise an effective strategy. Our business chieftains may, of course, miscalculate on this timetable; but there is no way of being sure that they won't take the risk.

We can only emphasize again that big business will have a

motive for desperate action: the defense of its fundamental economic and political power, under the severest attack since the Civil War. With an administration committed to the Mixed Economy in office, business will face the choice of acquiescence or resistance—and if the choice is resistance, the logic of its position calls for a determined and an all-out effort. In this context, a carefully contrived labor crisis appears a natural development.

If it is argued that business will be sacrificing a hefty bundle of profits in a dubious adventure, the answer is that business has willingly accepted similar losses in the past when the stakes were much smaller. Merely to resist collective bargaining, many firms have often endured strikes and lockouts lasting for months at a time. Sound business judgment, a scrupulous regard for the balance sheet, would have counseled a quick agreement with the unions and a profitable resumption of work.

Instead we had a sanguinary and protracted steel strike in 1919, in the course of which industry loosed all its resources in a successful counterattack on the unions; nearly two decades later, Big Steel capitulated to the unions without much of a fight, but Little Steel fought back strenuously and, for a time, successfully; it took many years, innumerable strikes, both sit-down and walkout, to crack the auto companies even with the sanction accorded labor first by the NRA and then by the Wagner Act; shipping, textiles and, indeed, just about every mass-production industry were loath to yield bargaining rights to their unions until they had thrown the full weight of their money, legal talent, and managerial ingenuity into the struggle. Throughout, business was content to lose money if it could assure its triumph in a contest it regarded as vital. If it looked upon the struggle over collective bargaining as being such a contest, we may reasonably expect even more determined opposition when government confronts business with a far more basic threat to its prerogatives.

The labor field will provide a convenient arena for combat for another reason as well: employers are accustomed to jousting there,

they are practiced in the techniques, the conflict is congenial to all the repressed instincts carried over from the days of rugged industrialism. Our tradition of violence is of the greatest significance. In point of time, this tradition—as native as corn liquor and the Ku Klux Klan—was not limited to the famous Homestead strike in 1892, or the Ludlow Massacre in 1914, or vigilante violence against the Wobblies during World War I, or the use of state troopers, company thugs, and labor spies against the coal miners and textile workers in the twenties. It is, after all, just a little more than a decade since the Chicago Memorial Day Massacre; it is less than a decade since the Ford Motor Company discarded its hoodlums and secret service and allowed its workers to bargain freely; it is only as recently as yesterday that CIO organizers seeking to unionize the nethermost reaches of American industry in the South were beaten up, tarred and feathered, and run out of town.

On the whole, American labor relations have been conducted on a far more elevated level since, roughly, the outbreak of World War II; in the huge reconversion strike wave of 1945-46, for example, there was surprisingly little violence. All of this heralds a bright future for labor-management relations under normal circumstances; but under the crisis conditions which we are discussing, it is relevant to remember that our tradition of labor violence lies close to the surface, that it has perhaps not been completely forgotten by management, that it is capable of revival at a time when economic chaos and political unrest may appear as desirable political instruments.

We can readily anticipate that the untoward effects of throttling investments and provoking strikes will be exploited to the full by a conservative press; it is of course control of the opinion industries which gives our financial masters their great leverage in influencing public opinion. It is easy to foresee the thunderous editorial barrage which will be directed at a government that so imperils

business confidence as to slow the wheels of industry virtually to a halt, which so inflates the egos and expectations of the labor czars as to destroy democratic collective bargaining. The government will have fewer and less resonant channels through which to trumpet its case.

Indeed, during its entire tenure of office, a radical administration will have to contend with a press, a broadcasting system, and a movie industry whose managers automatically consider a threat to business interests as a threat to the democratic fundaments on which the Republic is reared. The power of a hostile press should not be underestimated, even though it usually cannot swing a national election, as Roosevelt and Truman proved. For in a crisis the press may well be able to intimidate the government, by playing upon fears and prejudices painstakingly cultivated in the past. The basic tactic, of course, is the threat of so turning public opinion against the administration as to cause a certain reversal at the next Congressional election; this is, as it were, a delayed-action threat. But a hostile press can confront a national administration with more immediate difficulties: it can sabotage plans that depend on widespread public support for their success. Such guerrilla campaigns have at times proved a great hindrance to the British labor government, despite the overwhelming backing it received at the polls. For example, in the summer of 1946, after the new government had been in office just a little over a year, the press lords unleashed a savage campaign against the bread rationing scheme introduced by Food Minister John Strachey—a hair-raising series of attacks which threatened to wreck the plan by destroying the housewife's confidence in the government.

In this country a radical administration will be greatly dependent on the continuing support of the people who voted it into office, inasmuch as effecting a Mixed Economy program will involve any number of inherent difficulties, even without big business sabotage; it will mean such a profound reshaping of the old economic order as to require abiding public confidence for an efficient transition. It is important, for example, that the substantial number of busi-

nesses which will continue to inhabit the "private sector" of the economy feel psychologically as well as materially secure—for any evaporation of business confidence would have severe repercussions on the economy, as we have argued earlier; it is important that farmers feel a comparable security about the future of the nation and the future of their markets—any queasiness in the agricultural economy would be felt throughout the country and, indeed, throughout the world; and, again, it is important that the bulk of the managerial class—the well-paid hands who direct the giant industries to be taken over by the government—have a sympathetic attitude toward the new effort, since their reluctance to cooperate could have a disastrous effect on our socialist sector.

So dependent, indeed, will the government be on a favorable climate of public opinion that even in the ordinary course of events the unremitting opposition of a conservative press will present it with a formidable problem. And if—as a consequence of a strike of capital, a breakdown of collective bargaining, or the obstruction of the Supreme Court—events take quite an extraordinary turn, the government will confront a major crisis in resisting the massed onslaught of the opinion industries. Unless it is prepared to meet the attack, it may go down to defeat as pathetically as Britain's first Labour government—catapulted out of office by an electorate incensed by the thunder of the penny press over the fake Zinoviev letter.

Conservative strategies thus far discussed—political obstruction in the Congress, Supreme Court opposition, economic sabotage, labor turmoil—all fall within the legal confines of the democratic system. But there is no reason to suppose, if the urgencies of the conflict demand it, that opposition will not take forms whose ultimate strategy is a bold thrust for power clearly without the pale of the law. In short, we must consider the possibility that conservative business groups may foster an indigenously American fascist movement, possibly called anti-fascist, as Huey Long predicted.

Such a development is by no means improbable. We have

already argued the immense stakes in the conflict; the need, which will be immediately apparent to most conservatives, for a strong, daring, imaginative defense; the desperation with which they will doubtless be assailed; and we have discussed the alternative, or possibly coordinate, lines which the conservative defense is likely to take, in most cases strategies that are bold and hazardous. Certainly it is not stretching credulity to speculate on the possibility that at least some of the most desperate and/or irresponsible of our conservative groups may seek a movement which, by looking to the destruction of the democratic state, promises the strongest and most lasting safeguard of their interests. Certainly it was logic of this sort which impelled German, Italian, French, and Spanish capitalists to finance their fascist movements. We are not arguing that comparable conditions in this country will inevitably produce comparable results; but they may. In shaping a progressive strategy, the possibility should be considered.

It is usually argued, of course, that the United States possesses a democratic tradition of a strength and longevity lacking in those European countries which went fascist; that our own capitalists manifest a loyalty to democratic forms as fervent as the disdain of their European counterparts. This is only a half-truth and may be dangerously misleading in a crisis. While the resort to authoritarianism has been a readier political tactic in certain European countries than here, we too have a tradition of direct action and violence, an ability—many times exemplified in our history—to discard the constitutional forms when a substantive issue of far greater importance is at stake. The Civil War is not our only example of major conflict breaking through the constitutional seams. More to the point are the many minor squabbles where the forces of privilege have discarded the Bill of Rights, arrogated to themselves the power of government, employed extracurricular violence with unparalleled abandon: the vigilante tradition of the Far West, the Ku Klux Klan movement in the South and Mid-West, the institutionalized community fete known as the lynching,

innumerable other indignities. In short, we possess a heritage of organized lawlessness, all in pursuit of some noble ideal, on which a new movement, avowedly fascist in aim and method if not in name, could easily seek to build.

There are additional characteristics of the American scene which make us susceptible to those forces of authoritarianism loosed over Europe in the interwar years. We have a dangerous degree of racial and religious animus—anti-Catholic, anti-Jew, anti-Negro—firmly imbedded in our folkways. We betray a frenzied groping for spiritual comfort, which occasionally finds expression in religious movements of wondrous contour. We have a classless consciousness, an identification of most groups in our society with the goals and values of the middle-class, an insistence on retaining a certain threadbare gentility that is coupled with a desperate fear for its loss—remember how the fascists in Europe played upon the hopes, fears, and resentments of their middle classes! As a people we have always manifested great delight in the panacea—the Greenback, free silver, the single tax, Technocracy, EPIC; our appetite for nostrums makes us an easy victim for every passing demagogue. Finally, we are consumed at times with a desperate striving for a leader, a father-symbol—a role that has remained unfilled since the death of Roosevelt.

All these characteristics provide a seedbed in which a fascist movement could flourish mightily. One other condition is usually necessary, judging from our own and the European experience: widespread economic misery or at least unrest, and this condition, as we have argued earlier, is likely to attend the accession to power of a radical administration. The economic setting will be present in which a fascist movement—no less than a radical movement—is likely to flourish.

We need only recall the experience of the last depression to realize how responsive the American people are to the demagogic appeal. Who can forget Huey Long, the demoniacal, leather-jungled rabble-rouser, a genius at vote-pulling and a sure hand at

police-state government, who harassed and taxed the corporate interests, built enough new roads and enough new schools to get himself accepted as the people's champion, and then with a ruthless coralling of his own party followers and a ruthless bulldozing of the opposition, established himself as virtual dictator of the State of Louisiana? He went to the Senate, harangued the corporations to the uproarious plaudits of the gallery, helped elect Roosevelt, then broke with him on patronage and set up his own millenial movement. "Share the Wealth!" cried Huey, offering as a program: "Every family shall have the reasonable comforts of life up to a value of from \$5,000 to \$6,000." This happy goal would be achieved, quite literally, by sharing—lopping off the wealth of the upper crust and parcelling it out amoog the poor. The Share the Wealth mania—the clubs and the cascades of literature and the itinerant preachers—spread throughout the country. By the time Huey met his end in 1935 at the hands of an assassin, it was calculated he was worth upwards of four million votes if he ran for president on a third-party ticket.

And who can forget the ineffable Father Charles Coughlin, the priest with the cheery smile, the mellifluous radio voice, the Shrine of the Little Flower that became a political cult and a network of Social Justice clubs that spread from coast to coast and that easily might have become the base of a vigorous native fascism? Father Coughlin, spouting anti-semitism, flinging denunciations at the international bankers, demanding a "living annual wage," the nationalization of the banks, and a better price for silver, operated his own radio network, built up an audience numbering millions, was bold enough to run his own candidate for president in 1936.

Almost as disquieting was the Townsend movement—offering \$200 a month to everyone over the age of sixty, to be spent within thirty days and to be financed by a 2 per cent tax on all transactions. Here was a double bonanza: old age security, and a painless way of lifting the country out of the depression. Dr. Francis

Townsend's movement gathered up tremendous support: some 3,000 Old Age Revolving Pension clubs, 8,000,000 followers, a reputed 25,000,000 signatures on a petition to Congress, and control of the balance of power in ten or more states.

In the end, an economic upswing, the New Deal program, and the unbeatable personal magic of Roosevelt triumphed over the nostrums of the "economic corn doctors," as Henry Morton Robinson called the dangerous trio. But their performance remains a stern warning for the future. What Long, Coughlin, and Townsend started, another demagogue may very well finish.

We come now to the ultimate sanction which reaction can invoke against a popularly elected, radical administration: a military coup. The suggestion may strike most Americans as fantastic; military rebellion has a touch of the *opéra bouffe* about it, it is the sort of thing that happens in South America. But it is also the sort of thing that can happen here—in a crisis of an urgency and desperation beyond anything currently visible. Such a crisis may attend the establishment of a Mixed Economy, not in its opening stages perhaps, but later on when a profound shift in social and economic power becomes imminent.

One thing is certain: we have a precedent for the resort to arms—it took a war to effect the last, decisive shift in our domestic power balance. Until the Civil War we enjoyed a tradition of peaceful adjustment of controversy that was almost as long and as durable as our present harmony; the structure and procedures of the democratic state were reassuringly well-established, especially when compared with the political turbulence of Europe. And yet, when the most profound material interests and spiritual allegiances of our citizens became the stuff of controversy, it was impossible to confine the conflict within the bounds of law. We found that class and sectional interest had a more compelling claim on the loyalties of men than devotion to the democratic forms.

We may make the same discovery in a future contest where the issues are as grave and the stakes as high.

The European experience in the interwar years assuredly proved that, in a crisis, the pursuit of class interest is hardly restrained by democratic scruples. In Spain, an electoral victory of the Popular Front was swiftly followed by a military revolt. Here the appeal to arms was a final resort—electoral campaigning, public assassinations; and a continual barrage of threats having failed to win victory for Spain's feudal owners. In Austria, the use of violence was by way of prophylaxis against Socialist resurgence in the future, for reaction had won all the earlier victories. In France, the issue never had to reach the shooting stage; the forces of the Popular Front were crushed by more discreet methods; but the Cagoulards, with their hidden stocks of arms, were ready—just in case.

In this country, we may realistically regard military action as the last, desperate recourse of conservative groups which have exhausted every other means to ward off the government's threat. In any hypothetical timetable, we can anticipate that Congressional obstruction will mark the first line of conservative resistance, supplemented by thunderous harangues by the press; next would probably come a strike of capital and a virtual stoppage of collective bargaining, with attendant chaos in the labor market; it would take a little longer for the effects of bureaucratic obstruction to become visible, still longer for the Supreme Court to throw its resources into the fray—for even in a crisis the legal mills grind slowly. These tactics may very well be sufficient to intimidate, impede, and eventually unseat an administration seeking to transform the economic bases of our society. If they are not sufficient, there remain the threats of a fascist movement and the seizure of power by military means.

We have already discussed the prospects for creating a sizable fascist movement in time of depression. A reactionary military maneuver may be—given crisis conditions—an even easier tactic.

The officer caste in this country has always been either nonpolitical or conservative; liberals and Socialists don't go to West Point. As for the enlisted ranks, in peacetime they are usually made up largely of the depression-weary, the outcast, the drifters—an insecure and not overly alert group which in every society has been highly responsive to the demagogic appeal. (The situation is somewhat different now because of the temporary draft.) The great mass of the American Army—a citizen army in time of war, but in peacetime a professional army of small vision, limited sympathy for the civilian world, and the narrowest and most conservative political allegiances—would merely have to be ordered into action by the men who wear the stars. The soldiers would obey orders. That is the one thing they are always well-trained to do.

So far the locus of power we look to the generals. Traditionally they have been a nonpolitical lot. Not so since World War II, with a general heading the State Department, a half dozen representing us as ambassadors and traveling delegates abroad, others serving as governors of occupied countries. The generals have been up to their epaulettes in politics—and not radical politics. Their associates are career diplomats, financiers, industrialists, other generals—not long-hairs from the colleges or trade union movement. Now, some of our generals have done creditable jobs in political posts; some are fervent and enlightened democrats; but others might conceivably, in a pinch, be persuaded by their moneyed friends to use military means to effect political ends. The power potential and the political predisposition are there.

It is of course impossible to predict the immediate conditions under which a military bid for power might occur. It might come as the result of a Supreme Court crisis, in which the country has been aroused by charges of judicial usurpation and countercharges of executive interference with the sacrosanct rituals of the Court. Or a revolt might be precipitated by a widespread labor crisis, with the army moving in to save the country from chaos. Or it might follow a bitterly contested election campaign in which the

conservative opposition, alleging gross fraud and misrepresentation, refuses to accept the results at the polls. Whatever the immediate circumstances, once the military goes into action, popular resistance is well-nigh impossible. The day of street barricades has long been over. The problem is to keep the soldiers confined to the drill field.

One final obstacle is likely to plague a Mixed Economy government: the Communist Party. To date, the American Communists, despite the most diligent proselytizing and intrigue, have never gained any sizable influence in our political life. It is difficult, at first glance, to see them as a threat to any government. But the Communists' present insignificance is hardly reassuring. For the same conditions—a new depression, the visible inadequacy of the old faiths and the old economic nostrums, the striving for a new affirmation—which are conducive to the growth of a democratic radical movement will also inevitably produce a great accretion in Communist support.

In the past, in practically every democratic country, the growth of a Socialist Party has been paralleled by a considerable increase in Communist strength; in many cases, of course, the Communists outdistanced the Socialists. To a lesser degree, the same thing happened in the United States under the New Deal—viz., the great increase in Communist strength in the trade unions, and the proliferation of innumerable highly successful "front" groups. As for the future, despite the most astute democratic leadership, it is impossible to foresee a shift in public opinion decisive enough to produce a Mixed Economy government that will not also advance the fortunes of the Communist movement. We can anticipate that the party will grow in numbers and electoral strength and that its fellow-traveling groups will prosper mightily—there is apparently an "innocent" born every minute.

The growth in Communist influence presents the danger, first, of Communist penetration of non-Communist organizations—not

only trade unions, cooperatives, and various uplift groups, but the political party of the Mixed Economy movement as well. The Communists will unquestionably attempt the same process that ended in their capture of the American Labor Party in New York State and their successful infiltration of the Democratic Party in Washington and California during the New Deal years. This is a danger at any period when the Communist "line" coincides with the views of non-Communist progressives: the comrades always don their democratic habiliments, become fanatic in their moderation, and beguile countless liberals with the spurious doctrine of "unity." However often their liberal allies are betrayed and disillusioned when the line changes, there is always a new group of hopefuls willing to link arms with the party when it is ready for a new adventure in democracy.

We can assume, on the basis of bitter past experience, that many liberals devoted to the Mixed Economy will prove similarly susceptible to the advances of the Communists, particularly since the Communist Party, as we have argued earlier, will probably boast far greater numbers and direct influence than at present. If the Mixed Economy movement should succumb to the "united front" fantasy, the Communists will have an unsurpassed opportunity to ascend to high office in the government. This, indeed, would be a formidable danger. Events in Central Europe have indicated the likely result when Democrats enter into full working partnership with Communists. The case of Czechoslovakia in particular proved that a fervent democratic tradition, a mature party system, and a high level of political literacy among the people are no protection once the Communists entrench themselves within the structure of the state. Unity with Communists is slow suicide for democrats.

Even if the Mixed Economy movement avoids the Communist embrace, the party and its hordes of disguised satellites can still provide a major problem. For if the Communists are spurned by the administration, they are likely to go into opposition—and

Communist opposition is never confined to parliamentary skirmishing. The great peril comes in the labor movement: we can expect that Communist-controlled unions will be energetically deployed in an effort to embarrass the government in every way possible.

In a tight economic situation, with an administration trying to cope with both big business sabotage and a genuine depression, the Communist unions can make for endless difficulties if they prove obstreperous. To glimpse the possibilities, we need only recall the many strikes—"quickie," "wildcat," and official—which they provoked in this country from 1939 to 1941 in an effort to disrupt defense production and aid the Nazis, then allied with the Soviet Union. More recently, the British Communists, arguing with their usual fantasy that they were fighting against American imperialism, have been sabotaging their country's production drive. The British Communist Party is weak electorally, with only two members of Parliament, but their influence in certain trade unions presents a critical problem. We can readily foresee the same danger in this country.

These, then, are the obstacles that may well confront an administration pledged to the Mixed Economy. While it is ludicrous to essay definite predictions in this area, it is no more than simple realism to analyze the various fronts on which resistance may erupt. Much of the discussion in this chapter may appear highly academic at the present time. Yet, unless the proponents of the Mixed Economy have an awareness of the problems of power, of the innumerable obstacles likely to block their program—unless they are prepared through foreknowledge and detailed planning to cope with both the conservative and the Communist thrusts—they will unquestionably fail when they do possess power. To most progressives, unfortunately, the struggle for power is merely the contest for office—not, in addition, the tortuous effort necessary to transform the bases of society. This is a degree of short-

sightedness that invites catastrophe. Better alarm about a prospective threat than myopic self-confidence. It's safer.

One other question remains to be considered: why haven't the difficulties envisaged here developed in England, the one democratic country which, since the war, has undertaken an ambitious program of nationalization? Why has the transition to a neo-Socialist state progressed peacefully, at times even amiably, not only with no show of violence on the part of the Tories, but without any of the varied kinds of nonviolent resistance previously employed against Social Democratic governments? What happens to the thesis that the transition to an American Mixed Economy is likely to be a painful, combative process?

The thesis, unfortunately, remains intact. It would be easy to be disarmed by the relative amiability of the British experience. But a number of factors must be considered in any appraisal of the Tory response. For one thing, the returns are not all in yet from Britain. Even if Tory moderation continues until 1950, when the present government's term of office ends, such good fortune will hardly afford proof of the likelihood of painless socialism in a democratic country. For the Labour Party's first five-year program only partially attains the measure of nationalization to which most British Socialists have traditionally been committed: by 1950, only 20 per cent of the economy will be socialized. Further, the industries first slated for the shift were largely the ailing and the unprofitable industries, to whose defense the Tories could hardly bring either enthusiasm or a sense of desperation.

A writer in the *London Tribune* for October 10, 1947, summed up the situation: "In public the Tories must make a show of opposing the Coal Bill and the nationalising of gas, electricity and the railways, but in fact the more intelligent Tories are quite prepared to see these industries socialised. . . . Modern Toryism . . . might even have socialised these industries on its own, leaving to private enterprise only the newer and highly profitable trades.

The Tory solution of the economic problem is thus to divide industry into the profitable and unprofitable, the first to be strictly reserved for private enterprise and the second for the State."

If this analysis is correct, then a true test of Tory resistance to nationalization has been long delayed. In its first years of power, the Labour Party did not touch the sensitive areas of British capitalism.

Nonetheless, why haven't the Tories fought the precedent of socialization, fought it long before the deplorable principle can be extended to a point of real danger? Why haven't they stood gamely at their outer defenses, resisted and obstructed every effort to breach the free-enterprise wall?

There are several answers. First off, parliamentary obstruction, of the sort traditional in the United States Congress, is impossible in the House of Commons. A minority group, however determined, simply lacks the obstructive weapons available to our poll-tax legislators. Moreover, the 1945 election gave the Labour Party an overwhelming majority—so the legislative balance could hardly have been tipped if the Tories had been able to confuse, cajole, or buy off a few of their opponents.

Secondly, Britain lacks a third legislative assembly in the form of a life-tenure Supreme Court. True, the House of Lords has always provided the same defense of the capitalist deities. But for the present Lords to have stymied legislation passed by Commons would have involved a conscious political decision that could hardly have been hidden from the electorate, whereas our Supreme Court, enacting an ancient ritual of political impartiality, can disport itself as a legislature while proclaiming its judicial independence. The Court is thus a much less vulnerable instrument than the House of Lords. Further, the Lords are limited in the resistance they can offer Commons. Ever since 1911, they have been able to hold up the Commons' legislation for a period of two years, but no longer. Hence, it would have been legally unavailable to have obstructed measures of socialization in any of the first three years of Labour's five-year parliamentary term.

On the other hand, the Lords might have resisted as long as possible out of a perverse desire to harass their opponents every step of the way, meantime keeping up a press barrage designed to convert voters deluded by Labour at the past election. But such a move would have unquestionably been a tactical mistake in view of the Labour Party's overwhelming vote. For any thwarting of the unmistakable will of the electorate by a hereditary and undemocratic chamber would doubtless have boomeranged against all the arguments the Tories could have deployed in favor of free private enterprise. They were shrewd to bide their time.

Technical difficulties and tactics are not the only explanations for the Tories' seemingly gentlemanly comportment. From a long-range strategical view, it would have been unwise for them to have contested the Labour Party's exercise of its mandate beyond the combat limits allowed by parliamentary debate and the normal journalistic high jinks. For once the war was over, the country was in a desperate economic condition. Shorn of much of its gold hoard and overseas investments, it was hampered by an obsolescent industrial plant, by shortages in consumer goods, manpower, raw materials; and at the same time it confronted an immense job of physical reconstruction at home and military policing abroad. It was an unenviable land to govern, and indeed, after the 1945 election, the Conservative Party may well have been relieved that the privilege had been denied to it. Far better, perhaps, to enjoy the burdenless blessings of opposition, to needle the government and to try to educate the voters for the long pull. A while back, *Time* (April 1, 1947) regretfully came to this view: "In Britain's hour of need for leadership, the Loyal Opposition does not want to take power. For one thing, most Tory leaders do not believe that the country would support them. If they did come to power, they would have to champion more of the same harsh, unpopular measures . . . which have plagued Labor. A Tory Government would not be able to get as much cooperation from British workers as the Labor regime."

One other factor may also have entered Tory calculations:

Britain's economic machine was so debilitated that it could probably not have sustained the sabotage that a healthy economy like the American could take in its stride. As investment stoppage, an endless spate of strikes and lockouts would have involved much greater losses for British capitalists than for their American confreres. In short, the Tories were caught in the same economic squeeze that narrowed the Labour Party's chances of success.

Under the circumstances, it doubtless seemed both wise and discreet to give Labour its head, to let it plunge about wildly, as it tried to apply its millenial theories to a bankrupt nation which lacked the margin for experimentation. In the end, the Tories could reasonably figure, the Labour planners would get hopelessly entangled in problems partly of their own making and partly the accident of history. Both, of course, could be presented to the electorate as proof of the ineptitude of the Labour leadership and the ghastly impracticality of its theories. And then—when the voters were thoroughly fed up with Labour, and when the general economic situation had improved somewhat—the Tories could triumphantly return to office.

All these considerations—the sad state of the British economy, the Tories' lack of enthusiasm for a quick resumption of power, the technical problems of parliamentary obstruction, and the fact that, on the whole, the government had not trespassed on the profitable preserves of capitalism—help account for the relative ease with which the Labour Party has enacted and implemented its legislation. But in addition Labour has taken prophylactic measures. The nationalization of the Bank of England insured that the City could not blackmail the government. Currency controls, necessitated in the first instance by strictly economic considerations, had the further advantage of preventing a politically inspired flight of capital. Even more important, mid-term in its reign the government moved to reform the powers of the House of Lords, thus depriving the Tories of the one major obstacle which they commanded within the parliamentary apparatus.

As previously indicated, the Lords' powers to delay legislation

for two years is of only limited consequence in the first three years of a government's term of office. In the last two years, however, Tory Lords can stall Labour legislation until another election intervenes. This power became dangerous when the government decided (for technical reasons having to do with the state of the industry) to postpone nationalization of iron and steel until 1949. It was the last item of socialization on the government's five-year agenda—and the first of crucial importance to British capitalists. This for two reasons: the iron and steel industry, unlike coal and railroads and electric utilities, produced handsome profits; and it was of key significance in the nation's balance of economic power.

The Labour government anticipated that this time the Tories would not acquiesce; if nationalization were postponed until 1949, they would unquestionably hold up the legislation until after another general election, thus preventing the Labour Party from fulfilling its campaign pledges. Hence the need of trimming the Lords' powers in advance of their exercise. The only alternative was to allow the Lords to block the legislation and then pressure the King to create enough Labour peers to outvote the Tories. But this strategy might have provoked a severe constitutional crisis, particularly if the King refused. Far better to forestall the impasse with a little judicious legal surgery. The Labour Party, with its huge majority in the Commons, in 1948 set in motion legislation to reduce the period—from two years to one—during which the Lords could delay new measures.

Thus, to a considerable extent, the success of the Labour Party in achieving a peaceful transition to a semi- (or a 20 per cent) socialist state has been due to its perspicuity and decisiveness. By 1945, Labour had learned the lessons of its own past defeats and those of its sister parties on the continent.

To some degree, postwar developments in France have paralleled those in Britain: no socialist party has been continuously in power, but since the liberation the parties composing the various govern-

ment coalitions have advocated Mixed Economy programs with substantial "public sectors." Coal, electric power, air transport, radio broadcasting were socialized with little more than a whimper of protest from the financial oligarchs who before the war had bitterly resisted every social reform. These measures added up to a good deal less than full-blown socialism, but they represented a revolution in the country's economic organization—a peculiarly peaceful revolution. How explain this happy development in a land traditionally beset by the most bitter class conflict?

The answer, of course, is that the violence of international war had replaced the violence of civil war. The conservative industrial groups had in large part collaborated with the enemy; the enemy's military defeat was simultaneously the collaborators' political defeat. Hounded by the law, purged from government, deprived of propaganda outlets, the Two Hundred Families had no effective means with which to resist. The government, shortly after the liberation, could have socialized all of big business without meeting any appreciable opposition from its owners.

But while German occupation and Allied liberation allowed France to avoid the rigors of class struggle in 1944, in subsequent years the votaries of the *ancien régime* recovered their balance and returned to the fray, most recently grouping themselves around General de Gaulle. The present configuration of political forces in France will make future social advance unlikely without the characteristic internal strife which the country was briefly spared.

In the United States, vigorous action on the part of a progressive government can overcome the reactionary threat to democratic institutions. We have not argued that the domestic peace will inevitably be fractured, merely that it will be gravely threatened. On the other hand, it would be perilous not to be aware that in an America revivified rather than debilitated by a world war, the possibilities of interminable capitalist resistance are much greater than they were in Britain or France. True, the

American economy is vulnerable to periodic depression; but fundamentally it is sound—the physical plant is in excellent shape, raw materials are abundant, manpower is plentiful, we sit atop the world's gold hoard. Thus, American industrialists, faced with a government which threatens their holdings, will not be as likely as the British to moderate their resistance lest they do even greater damage to their shaky equities. Nor will they be grateful for a respite from political power for fear of being unable to handle a ticklish economic situation. Our capitalists may have momentary tremors when they hit the bottom of a depression, as they did during the bleak winter of 1932-33, but their self-confidence and audacity are likely to revive rapidly. This factor, plus the greater ease with which the executive can be hamstrung in a government of checks and balances, makes a strenuous contest much more probable in the United States.

## CHAPTER TWELVE

# LEGISLATING SOCIAL REVOLUTION

WE HAVE analyzed, in considerable detail, the formidable obstacles likely to impede a progressive government pledged to the Mixed Economy, obstacles of an immensity and a persistence such as have seldom confronted American progressives. The campaign for a Mixed Economy is seen as not merely an extension of the normal electoral struggle, but as the type of fundamental economic renovation likely to strain the entire governmental housing of a society. And yet, despite the hardihood and resourcefulness of the opposition, the advocates of a Mixed Economy can win out. The prognosis is hopeful in large part because past failures can be ascribed as much to the blunders of the progressives as to the strength and cunning of their opponents. The liberals, the Socialists, the whole array of do-gooders were disarmed in advance of the conflict by their own naiveté and boundless optimism. Today we are both less optimistic and less naïve—hence there is a chance that we can act on the lessons of the past fully as much as on the imperatives of the future.

The issue, to a great extent, will be determined by the character of the liberal movement which is built now. If such a movement is infused with the necessary foresight, realism, mental vigor, the outlook is hopeful. The problem is to anticipate the innumerable difficulties likely to beset a Mixed Economy government, and to

prepare to surmount them. Such preparation necessarily involves development of plans to meet every species of resistance—whether it occurs in the legislature, the judiciary, the bureaucracy, in the councils of big business, in the upper echelons of the military apparatus, or elsewhere.

But specific plans to meet specific problems are not enough. The opposition of a conservative press, for example, can probably not be overcome—in time to affect the decisive issues—by any specific remedies, such as the ever-buoyant dream of a flock of liberal-labor daily newspapers. Rather, the sabotage of the press lords must be overcome by the total effectiveness of the government's actions and propaganda on all the issues which engender controversy. For no matter how hostile the press, the government can always reach the people. Roosevelt proved that; so did Truman.

Moreover, it is impossible to foresee every danger to which a progressive administration may be subject. Thus, as important as the specific plans is the psychological atmosphere which pervades the liberal movement, whether it is weighted with a sense of the rigorous transformation which the Mixed Economy involves or whether it persists in an innocence which has often brought disaster in the past. For the only defense against the unexpected is flexibility, resourcefulness, and an alertness that comes from an unflagging perception that the task of social reconstruction is immense, that its enemies are implacable, that a decisive shift in social power has almost always provoked sharp conflict (but not necessarily violent conflict).

The only defense, in short, is a quality of tough-mindedness which hardly distinguishes the liberal movement today. To instill such a sense of the massive tasks and hazards confronting us is properly the function of the long-range educational program which a group like Americans for Democratic Action should undertake. For it would be futile to proselytize for the Mixed Economy without training a leadership equipped for the conflicts awaiting its installation.

We come now to the specifics of the problem: how to overcome the well-defined obstacles likely to confront the government.

Congressional sabotage was foreseen as the first impediment to a Mixed Economy program: in both House and Senate, the conservatives exercise alarming powers of delay and obstruction, and they may well draw upon all their resources in the crisis atmosphere likely to attend the proposals of a radical administration. To forestall the conservative campaign, Congressional procedures must be reformed before the opposition can exploit them. The shrewdest move, on the part of the government's supporters, would be drastic prophylaxis at the earliest possible moment—a program of procedural reform placed before the Congress.

The details of such a program would be fairly simple: election of committee chairmen on the basis of merit rather than seniority; elimination of their dictatorial power to throttle legislation which they disapprove; an end to the filibuster, which would first involve the determination of the Senate to invoke cloture against any attempt to block the reform.

Such a program would represent the greatest revamping of Congressional procedures ever to be made at one stroke. As such, it would be unwise to introduce it without an advance build-up of the dimensions accorded the other items in the Mixed Economy appeal. The program should be brought to the country, its merits and its necessity made plainly evident, the broadest support rallied to it. Anything less than an all-out effort might jeopardize its enactment, and hence jeopardize the substantive measures of legislation to follow.

As important as Congressional reform is revision of the powers of the Supreme Court. This undertaking will be far more difficult, and may well have to be postponed until judicial obstruction provokes another crisis. The reason is simple: the Supreme Court inspires such deep-rooted sentiments of awe and piety, the average citizen is so disarmed by the myth of judicial impartiality, that any effort to revamp the Court's powers or procedures will be

seen as an assault on the Godhead. The myth of the Court is so pervasive that it appears unlikely, in the absence of visible obstruction, that the mass of citizens can be persuaded that the Court urgently needs reforming lest it block future legislation uncongenial to its conservative temper. Had Roosevelt raised so theoretical an issue in the 1932 campaign, he would have evoked even more thunderous opposition than that which greeted his proposals in 1937. It is even questionable whether he would have been elected. Since 1937, of course, we have had the dramatic story of the New Deal Court crisis spread over the record. But most people have short memories. Court reform will have to wait until the justices once again superimpose their own legislative wisdom on that of the legislature.

The liberal movement, however, can hardly share the complacency of the average voter. Its plans should be prepared well in advance of the crisis, the strategies of their implementation worked out, campaign tactics and propaganda painstakingly plotted. And such preparation means, in turn, that the handling of a possible Court crisis should become a subject for lively study and debate within the liberal movement. The hard core of the movement must be shorn of any lingering naiveté about the role of the Court, it must be acquainted with past campaigns and possible future dangers, and it must be persuaded—if it is later to persuade the country—that a legalistic fiction should not be allowed to thwart the will of the people.

Many reform plans were suggested at the time of the last Court conflict; none of them were adopted and most of them are still relevant. At one extreme was the proposal for a Constitutional amendment—either to define a broad degree of control which Congress could exercise over the national economy, or to limit or withdraw the power of the Court to declare an act of Congress unconstitutional. At the opposite extreme were plans to pack the Court—a traditional, although hardly an avowed, procedure in American history. This strategy would have settled the issue for the time being. In later years, if the Court again became a problem,

it could presumably be repacked. Roosevelt, of course, took this line, and failed.

Midway between these two extremes came suggestions for an act of Congress to limit or regulate the power of the Court to invalidate legislation: proposals that two-thirds of the justices be required to vote against a law to render it void; that the present majority voting rule remain, but that Congress have the power to overrule the Court's veto by a two-thirds vote; that certain kinds of legislation be removed from the validating purview of the Court; or that, finally, the Court's basic power to void legislation be withdrawn.

Thus we suffer from no shortage of practical schemes to overcome the threat of an obstructionist Court. The best plan, or combination of plans, should be a matter for future strategy to determine. Here, however, is one possible line of attack after the Court has again cast aside its self-imposed restraint. First, an effort by Congressional enactment to whittle down the Court's power to invalidate legislation. The difficulty with such a restraining act, of course, is that before it could become effective the Court would have the right to determine its validity; in essence, the Court would be asked to limit its own powers; and a conservative Court, fearful of the direction which a radical Congress is likely to pursue, would doubtless be loath to declare itself out of the contest. But the refusal of the Court to allow any limitation on its voiding powers—powers nowhere explicitly granted in the Constitution—would then become an issue around which widespread popular pressure could be generated. The public outcry might well be so great, the issue of Court versus people so clearly dramatized, that the enactment of a Constitutional amendment would for the first time become a practical possibility. In a strategic timetable of this sort, it is of the greatest importance that the Court appear as the aggressor rather than the President or the Congress. President Roosevelt was outmaneuvered in this regard in 1937, and his proposals could not win adoption. Next time the campaign must be more shrewdly managed.

The problems of both Congressional and judicial obstruction are thus amenable to clear-cut solution by law. Not so in the case of the covert guerilla campaigns which a conservative bureaucracy can wage against a progressive government. Here it would be futile to pass laws, for all the necessary personnel legislation is already on the books. To enforce the proper discipline is a far more difficult matter. Nor can a solution be sprung after a Mixed Economy government takes over. Rather, the campaign to sterilize the bureaucratic threat must begin long in advance.

This campaign, in the first instance, must involve an emphatic effort by the liberal movement to win the support of the technicians in the public service. Traditionally, progressive movements have appealed to workingmen, farmers, the urban middle class, and at times to all three elements, but have normally regarded the state bureaucracy as a group apart. This was certainly the case in Europe, and the Social Democrats paid dearly for their neglect of the bureaucrats, who remained set in their routine procedures and their routine allegiances. In this country, when Roosevelt came to office, the progressive potential within the federal agencies was so weak that he had to issue virtually a mass call to the universities in order to improvise any kind of effective program.

As important as the attempt to convert the bureaucrats will be systematic training of liberal personnel for the technical assignments in Commerce, Treasury, Defense, State, and many independent agencies, which normally remain in the hands of bureaucratic lame ducks when a progressive government is in power. The liberal movement possesses adequate talent in the fields of law and economics, but it is deficient in people equipped to handle the details of foreign relations, military affairs, and the practical matters of industrial management and control—despite the numbers of professors who went to work for such agencies as OPA and WPB during the war.

In Britain, the Fabian Society and the Labour Party itself gradually developed a body of Socialists equipped for the mundane administrative tasks which left-wing "theoreticians" are too often

loath to regard as worthy of their study; even so, the labor movement was hardly burdened with a surplus of technicians when it suddenly found itself in control of the government in 1945; and in this country the liberal movement lacks much of the expert talent which the British party commanded. What is necessary to overcome this deficiency is a carefully planned, well-coordinated program of personnel recruitment and training, an enterprise in which the cooperation of the universities should be enlisted.

The final item on any program to insure the democratic bias of the bureaucracy is endless awareness on the part of the chief executives of the dangers of detour, delay, and administrative obfuscation that lurk in the inner coils of any bureaucratic apparatus. Vigilance, firm discipline, and refusal to be beguiled by bureaucratic doubletalk—qualities which well-meaning but inexpert progressives have not always evidenced—will be among the requisites of administrative success.

As important as the governmental obstacles is the matter of economic sabotage, analyzed at considerable length in the last chapter. Once again, overcoming this problem requires, first, recognition of the danger, and, second, detailed preparations to meet it. The general approach is clear enough: if big business goes on a sit-down strike, if it cuts off enough new investment to depress the economy, the government must fill the investment gap, operating on the same logic which would motivate it in a depression caused by purely economic factors. No new theory or practice is involved here. But the matter of timing is of essential importance. To counter an investment strike successfully, the government must be in a position to move rapidly. To succeed, it cannot delay its plans until it is certain that the economic threat will materialize.

Ability to increase government investment to keep pace with the collusive decline in private investment will depend on two preliminary measures. First, in advance of the crisis, the government should collect a shelf of public works projects—carefully

blueprinted in all particulars, from structural design, requirements in raw materials and manpower, to geographical location—on which building could quickly start. The initial list of projects need not be too large; and it could include not only federal undertakings but also state and municipal projects for which federal funds are sought.

The second requisite for a quick injection of government money would be vastly broadened executive powers under the Employment Act of 1946. The present provisions in effect require the President, when his Council of Economic Advisers inform him that a slump impends, to go before Congress with legislative proposals to head off the danger. Delays are thus inevitable. To enable the President to act quickly in an emergency, he would have to be authorized to increase the volume of federal investment without any additional Congressional sanction. A law of this sort, supplemented by the appropriation of special, stand-by funds, would be the best assurance that the government could deal with the crisis the moment it developed.

It is likely that these measures, prepared in advance, would either deter a capital strike or would counter its deflationary effects so rapidly as to cause its collapse. But should public spending not turn the trick, another expedient remains. The government could impose a tax on idle investment funds—a suggestion sometimes made to counter the normal, long-term tendency of savings to outrun investments. Whatever the merits of such a plan in normal times, it could be a useful weapon against a capital strike. Financial penalty might well bring the recalcitrants to heel.

No matter what strategy, or combination of strategies, is employed, rapid government action can overcome any campaign of big business to gain political concessions by invoking economic sanctions. So long as the government is alert to the danger, as determined as its opposition and equally bold in choice of tactics, it can carry the day.

Efforts of a different sort, however, are necessary to deal with

the spontaneous loss of business confidence caused by the mere existence of a government whose animus, its opponents fervently believe, is directed against all of American business. As indicated in the last chapter, a genuine loss of confidence and a sit-down strike of big capital will probably be mutually reinforcing tendencies. How to counter the natural fears and uncertainties of businessmen, large and small?

To start with, some businessmen, as we argued earlier, can be won to the program of the Mixed Economy—but unquestionably hardly enough to prevent widespread dismay and a slackening of activity. To reassure the others who are at all amenable to reassurance, the administration must launch a vast propaganda campaign, designed to persuade our free enterprisers that, first, the government is well prepared to handle the sabotage of big business, and hence there need be no fears of a worsening depression; second, that as regards long-term developments, the government has no designs against the private ownership of substantial segments of American industry; and, third, that the maintenance of full production and full employment under a pluralistic economy will afford safe opportunities for expansion and the increase of profits in those industries not riddled by monopoly controls. A thoroughgoing educational campaign of this nature—in the execution of which the cooperation would be solicited of businessmen initially disposed towards the Mixed Economy—could go far to restore the morale of the business community.

We come now to the threat of a labor crisis artificially stimulated by our corporate empires in an effort to harass a new administration. This is a campaign which could be more readily undertaken than an investment blockade, which could have immediate effects even more damaging, and against which, in peacetime, the federal government possesses no effective legal sanctions. For government intervention in most labor disputes is limited to voluntary mediation—a statesmanlike procedure which works well when both

parties are largely animated by economic considerations and have the normal inclination to reach a settlement. On the railroads, the Railway Labor Act of 1926 provides a more elaborate procedure, but in the end it comes down to fact-finding and conciliation and endows the government with no compulsory powers. So long as the wartime Smith-Connally Act was in force, the government had the power to take over a struck factory; in peacetime this is not possible.

What, then, could the administration do if confronted with extensive sabotage of the normal processes of collective bargaining? One strategy would obviously be available, so long as the executive had the support of Congress: it could seek renewal of wartime powers to commandeer struck plants. But there would be one drawback: would the courts consider such a peacetime measure constitutional? (Previous peacetime examples of this sleight-of-hand nationalization occurred while the necessary war powers were still in existence.)

The courts might or might not be cooperative. But even if conservative judges should balk, the government's program could still be effective. Here is one area where bold action, quickly and expertly taken, would be of decisive importance—and would avoid a constitutional tangle. For the administration, prepared for the employers' offensive in advance of its occurrence, could launch a thunderous appeal to the country as soon as the crisis occurred. Having stirred widespread support for its views, it could then proceed to get quick enactment of the necessary laws to nationalize the struck industries, with provisions for profits to go to the national treasury—a punitive measure not included in the wartime nationalizations. The government would then make settlements with the unions which would readily induce them to resume work.

By the time the constitutional issue would reach the higher courts, the crisis might be solved, for the government would hold out to the employers promise of an immediate return of their properties once they made a reasonable compromise with their

employees. As a matter of fact, in a situation where the government has placed the burden of responsibility on the employers and has aroused the nation on that issue, the judges might become very complaisant.

The effectiveness of a Mixed Economy administration in overcoming governmental and economic sabotage will, to a considerable extent, determine its success in meeting any possible challenge from a native fascist movement. For fascism battens on crises—economic as well as political. If the government cannot cope with an accelerating depression, if it shows itself incapable of disciplining the forces which harass it on all sides, the appeal of the prospective strong man will be greatly enhanced. On the other hand, if the administration is able to keep the labor peace, overcome the economic crisis, and prevent a deadlock in the governmental apparatus, a fascist movement will lack many of the preconditions of success vouchsafed it during the turbulent years when it took over one after another of the European countries.

Beyond the pursuit of political stability and economic reform, an enlightened administration can undertake a number of specific prophylactic measures against the threat of a fascist upsurge. It can, in the first place, engage in a campaign of exposure—a new Congressional committee directed against activities that are truly un-American. It can press a frontal assault on racial and religious bigotry: such measures as anti-discrimination legislation in the fields of employment, housing, education—propaganda of the deed as well as of the word against those soft spots in our democracy in which so much of the obscurantist fascist appeal is rooted. At the same time, the federal government, in apportioning funds for housing, education, health facilities, might systematically administer larger doses of these public improvements in economically and socially distressed areas where the fascist contagion would likely be most prevalent. This would be in the nature of a long-range attack.

Apart from these measures, the government should be endlessly vigilant in scotching the peripheral illegal flurries—the street fights, the planned riots, the armed demonstrations—which local authorities, in Europe, were often too complacent to prevent. For these activities, which at first merely threaten the public peace and not the social order, are one of the most important ingredients in building the morale, the embattled *esprit de corps* of a fascist movement. In attempting to eliminate them, Washington will be able to act only by securing the help of local authorities. It will have to exert all possible pressure on the states and municipalities. Finally, the federal government—refusing, as elsewhere on the political front, to underestimate the potential strength and audacity of its opponents—should not hesitate to trade propaganda bar-tages with them, blow for blow. It will not be able to expect presumably self-evident facts to commend themselves to the reason of people. From the outset it must be prepared for the offensive.

Many of these same tactics will have to be used against the Communist movement, if and when the party and its satellite groups constitute a political force large enough to embarrass a Mixed Economy government. But the Communist threat can be checked at the outset if the liberal movement remains free of involvement in the "united front" manueverings of the local Moscovites. For although the Communist Party will doubtless grow in size and influence during another depression, it is unlikely to become an overwhelming danger unless the liberals utterly fail or unless they provide the Communists with a respectable cloak in the form of another Popular or Democratic Front. Despite decades of effort, the party has been unable to win many adherents to its own banner: it needs innumerable allies, front men, big names, and every sort of organizational disguise in order to entrap the innocent. Thus the major prophylaxis against a future Communist threat is isolation: a campaign of public exposure; efforts, so far

gratifyingly successful, to reduce Communist influence in the trade unions; and total exclusion of party members from democratic and liberal organizations. Such a program, which requires no federal or state legislation, should be pressed with the vigor with which the Communists try to infiltrate, befuddle, and capture the liberals. If it is successful, Communist influence can be kept to manageable dimensions—now and in the future.

As with the totalitarian threat, so with that of a military coup—the same all-pervading caution, the same sensitivity to dangers normally regarded as remote, should characterize a progressive government's relations with the armed forces. The military threat may never materialize, but it would be obvious wisdom to avoid the risk. Acting in time, before a crisis develops, the government can readily neutralize any future danger. But if it delays preventive measures, an unexpected thrust may suddenly leave it defenseless. And these preventive measures, ironically enough, are of the simplest kind.

First, the government must assure itself of the democratic bona fides of the high-ranking officers in a position to command the movement of large masses of troops. It should carefully screen the top brass, transferring to innocuous positions any officers whose loyalties are suspect. Second, the administration must make a determined effort to keep the generals out of politics, reversing a recent tendency to entrust them with high civilian responsibilities. Third, a campaign of democratic education—directed against the militarist outlook normal in any large standing army—should pervade all ranks in the armed forces.

Finally, the government—and the liberal movement independently—should seek to leaven the forces with persons of progressive views. In the same way that it must train its own bureaucrats in all the civilian specialities, the labor and liberal movement should undertake to send certain of its younger members to West

Point and Annapolis and encourage others to obtain commissions in the reserve.

All of the problems likely to confront a Mixed Economy government are capable of solution in a fashion that will preserve our civil liberties whilst our economic liberties are expanded. None of the suggested solutions would involve the creation of that governmental Goliath which democrats of every persuasion rightly decry.

Reform of Congressional procedures would strengthen the legislature by making it more democratic. Reform of the Supreme Court would legally impose on it that degree of restraint which for many years now it has voluntarily accepted. Strengthening the executive's hand to deal with economic sabotage would involve not much larger delegation of authority than Congress granted in the economic crisis that attended the inauguration of the New Deal. Endowing the President with power to cope with a dangerous stalemate in collective bargaining would present no greater hazards than we assumed in the same area in time of war—and the domestic crisis that we have envisaged would justify a calculated risk. As regards methods of handling a possible totalitarian or military threat, nothing is suggested that would necessitate an increase in the powers already possessed by the President—we have merely proposed their full exercise. Thus, the attainment of a Mixed Economy would in no sense result in creating a new oppression as the old grievances were crushed. It would involve *means* as democratic as the *ends* sought—we have already argued, in an earlier chapter, the compatibility of the organizational setup of the Mixed Economy with our traditional freedoms.

For the liberal movement, its strategic problem turns less on the specific means of overcoming the opposition to the Mixed Economy and more on its general capacity to employ the available techniques, at the proper time, against the unmistakable danger. It was precisely in regard to the essentials of realism, foresight, and will that progressive movements failed so abysmally in Europe

and often proved so defective in this country. The progressives lacked the realism to grasp the hazards of their task, the foresight to outplan and outmaneuver their opponents, and the will to power capable of overriding all obstacles.

In this country, if the mistakes of the past are not to be repeated, a liberal movement must come into being endowed with a resoluteness and a perspicuity commensurate with its tasks. Today such a movement does not exist. And a movement of the sort that is required will not be developed until its leaders desist from so complete a preoccupation with immediate goals as to exclude almost all long-range speculation and planning. Moreover, they must manifest a firmness and tenacity of purpose that normally only characterize their opponents.

The plan for the Mixed Economy points the goal—economic security in a setting which insures individual liberty: an end to depression, to the ravages of the monopolies, to the inequities of a grossly unbalanced national income, while at the same time the boundaries of individual freedom are pressed forward.

To achieve the Mixed Economy, liberals face a threefold job: First, they must regroup their forces, create a movement more resourceful and aggressive than their present alliance, and eventually possess a political party which they can call their own.

Second, such a liberal movement needs to lay the groundwork now for a campaign that will win the country for the Mixed Economy when the next depression once again makes bold renovations a matter of practical politics.

Third, liberals must presently master the problems of political and social engineering involved in legislating an economic revolution. This is the only prophylaxis against later succumbing to a conservative assault whose range and intensity they are in no way prepared for.

One thing is certain: if American liberals fail, it will not be for lack of the proper economic plans or political techniques. It will be a failure of will and of imagination.

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